INTERFOR

International Forest Products Limited

Annual Statutory Information

for 2002

Includes:

- Message To Shareholders
- Management Discussion And Analysis
- Consolidated Financial Statements
- Annual Information Form Dated March 1, 2003
- Environment & Safety Report

This year's AGM will be held April 23, 2003 at:

ADAMSLAKE
LUMBER
HOME of the ADAMS RIVER SOCKEYE SALMON

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International Forest Products Limited

HIGHLIGHTS

	2002	2001	2000
		(in millions of dollars, except share and per share amounts)	
Financial Summary			
Sales	784.1	704.1	745.6
EBITDA (note)	121.1	45.4	107.7
Net earnings (loss) - before restructuring	41.6	(6.7)	28.4
- after restructuring	40.0	(25.9)	30.7
Per Share Data			
Net earnings (loss) per common share			
- before restructuring	1.16	(0.19)	0.84
- after restructuring	1.12	(0.75)	0.90
Price range per share			
$ High	5.85	5.75	5.50
$ Low	3.66	3.01	3.30
Book value per share	8.27	7.13	8.29
Cash Flow per share before working Capital Change	3.01	0.72	3.08
Weighted average shares outstanding (millions)	35.9	34.6	34.0
Financial Position			
Total assets	537.3	526.1	413.4
Total debt	50.0	101.6	3.9
Total shareholders' equity	293.9	255.8	265.8
Invested capital	343.9	357.4	269.7
Financial Ratios (%)			
Return on average shareholders' equity	14.5 %	(9.9) %	12.0 %
Return on average invested capital	12.1 %	(7.1) %	10.7 %
Total debt as a % of invested capital	14.5 %	28.4 %	1.4 %

Note: See the definition of EBITDA under the heading Review of Operating results on page 11.

"Business strategies put in place over the last 4½ years ... paid off with the strongest financial performance by the Company in more than 8 years."

"In the face of uncertain markets and the prospect of lower earnings in 2003, we will continue to work proactively to position Interfor for long-term success."

Message to Shareholders – March 2003

For further highlights, please See Message to Shareholders on the next page.

MESSAGE TO SHAREHOLDERS

OVERVIEW

Interfor made excellent progress in 2002. Business strategies put in place over the last 4½ years to upgrade the Company's asset base, reduce costs and reposition product lines paid off with the strongest financial performance by the Company in more than 8 years. Highlights during the year included:

Strategic & Financial

- Earned $40.0 million after tax
- Repaid $51.6 million in debt
- Repurchased $2.0 million in shares
- Invested $10.0 million in high return projects
- Relocated value-added plant to Sumas, Washington

Environmental

- Achieved SFI program goals
- Completed re-certification of ISO 14001 for coastal woodlands
- Launched Environmental Improvement Initiative for coastal woodlands
- Deferred harvesting in Spotted Owl management areas

Safety

- Reduced Medical Incident Rate (MIR) by 27%
- Awarded Canadian Society of Safety Engineers Award for 3rd consecutive year (Squamish Lumber)
- Launched *Managing for Outstanding Safety* initiative

Community & First Nations Activities

- Held Annual General Meeting in Maple Ridge
- Awarded inaugural Interfor Community Scholarships
- Established Joint-Venture Business Agreements with First Nations

While we are pleased with the results that were achieved in 2002, it is important to maintain perspective. Fragile markets, duties on shipments to the U.S., government policy that is out-of-step with market reality and recent increases in the value of the Canadian dollar pose significant challenges.

Going forward, it is imperative that we stay focused on our goal of achieving sustainable, long-term profitability and continue to position the Company for success.

FINANCIAL PERFORMANCE BEST IN EIGHT YEARS

Interfor earned $40.0 million or $1.12 per share in 2002 after one-time costs associated with the permanent closure of the Company's McDonald value-added plant. This compares to a net loss of $25.9 million or $0.75 per share in 2001.

These results were achieved in spite of generally weak prices in the North American structural market and the payment of $24.5 million in duties on shipments to the U.S. Interfor's results in 2002 were the best achieved by the Company in more than 8 years.

In terms of financial performance, Interfor's results in 2002 translate into a return on invested capital of 12.1% compared to (7.1%) in 2001.

From a cash standpoint, Interfor generated EBITDA of $121.1 million in 2002 compared to $45.4 million in 2001.

For additional information on the Company's financial results we encourage you to read the HIGHLIGHTS sections on page 3 and the MANAGEMENT DISCUSSION AND ANALYSIS section beginning on page 11.

STRATEGIC INITIATIVES AND COST REDUCTION PROGRAMS KEY TO STRONG FINANCIAL PERFORMANCE

Interfor's strong financial performance in 2002 was the direct result of strategic initiatives and cost-reduction programs put in place over the last 4½ years.

The acquisition of Primex Forest Products Ltd. in 2001, in particular, has played a key role in the Company's progress. After some initial challenges, the former Primex mills are now fully integrated into Interfor's operations and are beginning to deliver the returns we expected when the transaction was first envisaged.

In the woodlands area, the program initiated in late 2001 to rationalize and downsize company-owned logging operations, streamline administrative functions and improve productivity resulted in significant reductions in direct logging costs in 2002.

Overall, Interfor's cash manufacturing costs were reduced by more than 10% in 2002 compared to 2001, and are now more than 30% below the levels of early 1998 when the Company's restructuring program was initiated. Cash costs before stumpage in the coastal woodlands in 2002 were also more than 10% below the previous year's level.

U.S. DUTIES NEGATIVELY IMPACT RESULTS; CEDAR BUSINESS HIT PARTICULARLY HARD

The duties paid on shipments to the U.S. had a significant negative impact on Interfor's results in 2002. As mentioned previously, the Company paid $24.5 million in duties last year, or $0.43 per share on an after tax basis.

Interfor's cedar business has been hit particularly hard, paying $18.0 million in duties in 2002, or 73% of the total paid by the Company during the year.

We believe a negotiated settlement to this dispute – which is in its fourth iteration in 20 years – is the best hope for a durable solution, and in the best interests of producers on both sides of the border.

In the absence of a negotiated settlement, we will continue to participate in challenges to the WTO and NAFTA and remain confident that the allegations by U.S. protectionist interests will not stand up to independent scrutiny.

BALANCE SHEET IS STRONG

Managing for cash and the strength of the Company's balance sheet have been key features of Interfor's management program since mid-1998.

In 2002, the Company generated $107.8 million in cash flow from operations before changes in working capital, and $87.8 million after changes in working capital.

During the year, debt was reduced by $51.6 million. At year-end, Interfor's net debt was $49.8 million or 15% of invested capital, leaving the Company with one of the strongest balance sheets in the sector.

350,000 SHARES RE-PURCHASED

Interfor re-purchased 350,000 shares in the 4th Quarter of 2002 at a cost of $2.0 million. Under the terms of the Company's share re-purchase program, these shares were canceled.

We continue to believe the Company's shares represent excellent value and expect to purchase additional shares in 2003.

CAPITAL DIRECTED TO HIGH-RETURN PROJECTS

Total capital spending in 2002 amounted to $41.1 million. This amount was approximately the same as 2001 and was $12.6 million below charges for depletion, depreciation and amortization.

Included in the Company's capital spending in 2002 were more than 25 high-return projects undertaken at a cost of $10.0 million. This brings the total spent on high-return projects over the last three years to $34.9 million.

The largest single project undertaken in 2002 was the installation of an optimized trimmer and grading system at our Hammond cedar mill at a cost of $5.2 million. Other projects included a new gang edger at Hammond, a linear planer optimizer at Adams Lake, a new planer and kiln improvements at Saltair, and de-bottlenecking projects at Acorn, Field, Squamish and MacKenzie.

Each project was designed to improve Interfor's competitive position by increasing mill efficiency or product value and has an expected payback of two years or less.

We believe state-of-the-art technology is one of the keys to long-term success in the forest products industry and intend to pursue additional opportunities to invest in high-return projects in 2003.

RELOCATION OF VALUE-ADDED PLANT DESIGNED TO REDUCE IMPACT OF U.S. DUTIES

In September, Interfor announced the relocation of its McDonald value-added plant to Sumas, Washington in order to reduce the impact of duties on the Company's cedar business.

The value-added plant remanufactures low-grade cedar lumber into high-value products. With its location in Canada, the plant was required to pay duty on the full value of the remanufactured end product.

By moving the plant to the U.S., we will eliminate the duties on the added-value part of these products while taking advantage of other efficiencies which will help improve the overall competitive position of the operation. The relocation will also make way for the long planned redevelopment of the McDonald site, which is expected to proceed in 2003.

Construction at the Sumas plant was completed in February 2003. The plant is currently in its start-up phase.

ENVIRONMENTAL INTEGRITY DEMONSTRATED THROUGH CERTIFICATION INITIATIVES AND OTHER ACTIONS

In 2002, Interfor re-affirmed environmental integrity as one of its core values.

All of the Company's woodlands operations have been independently certified to both Sustainable Forestry Initiative (SFI) and ISO 14001 standards.

During 2002, the Company continued to meet SFI sustainability standards based on periodic assessments from third-party auditors. In addition, the Company consulted with scientific advisors and its public stakeholder group for feedback on performance and guidance on on-going SFI program development.

The coastal woodlands group also successfully completed an extensive independent audit to re-certify to ISO 14001 standards. At the same time, the coastal woodlands launched an Environmental Improvement Initiative for employees, designed to reinforce environmental excellence as a core value of the Company.

During 2002, substantial progress was made in addressing environmental issues and we continue to work constructively with environmental groups and others to address land-use planning issues.

In October, the Company made a voluntary decision to defer harvesting in Spotted Owl management areas to provide government with additional time to re-assess habitat conservation needs.

In 2003, high standards of environmental performance will remain a priority. We will also continue to take a leadership role in the area of environmental certification.

SAFETY STATISTICS CONTINUE TO IMPROVE; FATALITIES DRIVE COMMITMENT TO OUTSTANDING SAFETY

In each of the last three years, we have been able to report to you that Interfor's safety performance had improved considerably from the previous year. This year, our statistics show an improvement of 27% in the Company's Medical Incident Rate (MIR), bringing the improvement since the end of 1998 to 77%. We are also pleased to report that our Squamish Lumber Division was awarded the Canadian Society of Engineers Award for the best safety and awareness program in Canada for the third consecutive year.

However, statistics and awards do not tell the whole story.

In 2002, we lost two valued colleagues in logging-related incidents. In September, Doug Ferris was killed at Quatlena while working for one of our contract logging operations. And, in October, Dal Shemko lost his life at Interfor's Empire logging operation in Squamish. It is impossible to explain the pain we felt following these tragedies, and still do.

The incident involving Dal Shemko was particularly difficult to accept in that he had played such a key role in the development and implementation of the safety programs we have put in place over the last 4½ years.

The loss of Doug and Dal has had a profound impact on the Company and on our attitude towards workplace safety.

Clearly, we have not done enough. As a result, we have now established new goals and objectives for our Safety program. More important, we have put in place a new project called *Managing for Outstanding Safety,* which we believe will help to address the fundamental cause of the injuries occurring in the workplace.

All of our coastal woodlands employees and contractors have or will receive training under the project before they return to work in 2003. Once the project has been established in the coastal woodlands, it will be introduced at the Company's manufacturing operations.

We are optimistic this new project will lead to improved results in the years ahead and look forward to reporting our progress to you.

NEW AGREEMENTS CONTINUE TO BUILD COMMUNITY AND FIRST NATIONS PARTNERSHIPS

Interfor continued to build strong connections to its operating communities and First Nations in 2002.

For the third year, the Company held its Annual General Meeting outside downtown Vancouver in one of our operating communities. Maple Ridge, the home of our Hammond sawmill and Albion remanufacturing plant, hosted the AGM in April. The meeting was attended by community and First Nations leaders, elected officials and a number of shareholders.

At the AGM, we announced the winners of the inaugural Interfor Community Scholarships. The scholarships were offered to graduating high school students in Interfor's rural operating communities who wish to pursue post-secondary studies in forestry or a related field.

The initial scholarships were awarded to Jacob Lewis, a Squamish First Nation student who is completing his first year of study at Okanagan University College, and Patricia Janecek, a student from Quatsino – near Port Hardy – who is completing her first year of study at the University of Victoria.

2002 also saw Interfor enter into a number of innovative new agreements with First Nations. The highlights were Joint-Ventures with two Bands in the Mid-Coast.

A Joint-Venture Business Agreement with the Oweekeno First Nation was launched under the Kvamua Enterprises Limited Partnership. This agreement calls for Interfor and Kvamua to put up equal portions of timber for local harvest and to share in the benefits.

As well, a Joint-Venture Forest Licence was obtained in partnership with the Heiltsuk First Nation. Under the agreement, we have established a co-owned company called Heiltsuk Coastal Forest Products Ltd. which shares 25,000 m^3 of timber per year.

These are just two examples of the numerous arrangements we established with First Nations throughout the year. Others include market logging agreements, Community Partnership Pilot Project Agreements and general Protocol Agreements.

In 2003, we will continue to pursue ways to attract more local involvement in the management and use of local resources and continue to expand our activities with First Nations.

EMPLOYEES AND OTHERS CONTRIBUTE TO PROGRESS

Interfor's progress in 2002 was the direct result of the efforts and commitment of the men and women of Interfor who continue to demonstrate an enthusiasm for the direction we have established for the Company.

We would also like to thank those individuals in the communities where we operate who have been so supportive of our efforts, and our customers – without whose support our progress and continued operations would not have been possible.

SHORT-TERM PROSPECTS ARE WEAK

Looking forward, we are concerned about a number of factors which have the potential to negatively impact Interfor's on-going profitability.

Weak markets in the U.S. and Japan have the potential to undermine sales and production activity. In the U.S., the market for structural products is over-supplied and prices are well below those achieved in recent years. And cedar, which until recently had shown considerable strength, is beginning to show the impact of competition from substitute products.

In Japan, concerns remain about the underlying weakness of the economy. In-market shipments have dropped considerably during the first two months of 2003, and prices have fallen as a result.

Compounding these concerns has been the rising value of the Canadian dollar. If this trend continues, it will exacerbate the effects of the weak market on the Company's profitability.

As well, we continue to be concerned about increases in stumpage rates.

As we have said on many occasions, the current stumpage system on the coast is out-of-step with market reality and needs to be replaced. And, while there are plans in place to introduce a new market-based stumpage system (see below), we will likely be forced to absorb higher costs to harvest Crown timber until the new system is implemented.

From a planning standpoint, we expect 2003 to be a more difficult year than 2002 with lower earnings and cash flow than last year.

PROVINCIAL POLICY REFORM UNDERWAY

Since its election in May 2001, the B.C. Government has made known its intention to make fundamental changes to forest policy in order to create a more competitive and dynamic operating environment. Some of the initial reforms have been announced; others are expected to be announced in the next month or so.

The introduction of a Results Based Forest Practices Code last November was long overdue. The new Code will eliminate much of the unnecessary bureaucratic process that characterized the original Code and is expected to create an environment where a company like ours – which has demonstrated strong leadership on environmental issues and practices – can take greater responsibility for on-the-ground performance. This, in turn, should provide our forestry professionals with the opportunity to reduce operating costs while continuing to protect environmental values.

Similarly, the introduction of a market-based stumpage system has been long awaited. While the new system is yet to be unveiled, we understand it will tie stumpage rates directly to the results of the province's timber sales program. If designed properly, the system should be fair to all parties and generate results that relate directly to market values.

To facilitate the new stumpage system and to address other important issues like First Nations rights and title, the government has outlined plans to reallocate a portion of the tenure rights currently held by industry. We have a number of concerns around the concept of tenure reallocation that need to be resolved, most particularly the amount and form of compensation that will be provided to existing license holders.

All-in-all, we believe it is time for the Provincial Government to move ahead with its reforms. We are optimistic the reforms will succeed in creating a more competitive and dynamic operating environment and believe Interfor is well-positioned to prosper in such a regime. We intend to work constructively with the government and other stakeholders to resolve the outstanding issues and look forward to seeing the reforms implemented as quickly as possible.

APPOINTMENTS STRENGTHEN SENIOR MANAGEMENT TEAM

In October, The Board of Directors made three important appointments at the senior management level:

Hugh Sutcliffe:	Executive Vice President & Chief Operating Officer
John Horning:	Senior Vice President & Chief Financial Officer
Ric Slaco:	Vice President & Chief Forester

Hugh and John both joined Interfor in 1998 and have played key roles in the Company's restructuring efforts. Until their recent promotions, Hugh had been Senior Vice President, Operations and John was Vice President, Finance. Ric has been with Interfor since 1992 and has been Chief Forester since 1996.

These appointments solidify Interfor's senior management team and will ensure the Company is well positioned to move forward in the years ahead.

INTERFOR WILL CONTINUE TO POSITION FOR LONG-TERM SUCCESS

In the face of uncertain markets and the prospect of lower earnings in 2003, we will continue to work proactively to position Interfor for long-term success.

In this regard, we will address the future of those operations not capable of generating acceptable returns and, at the same time, intend to increase the rate of investment in high-return capital projects at our core facilities. We will also continue to focus on product development and marketing strategies that extract greater value from our timber resources.

During 2003, we will continue to build on our commitment to progressive forest management and ensure that our practices are ecologically and scientifically sound.

We remain committed to working constructively with the Provincial Government and others with respect to forest policy reform and to promoting greater community and First Nations involvement in the industry.

The momentum we have established over the last 4½ years and the strength of our balance sheet places Interfor in an excellent position to withstand uncertainty and to take advantage of the opportunities which will result as change in the B.C. forest industry takes place.

We are committed to being an industry leader and to delivering value to our shareholders.

We thank you for your continued support.

W.L. Sauder
Chairman

Duncan K. Davies
President &
Chief Executive Officer

March 1, 2003

INTERFOR

International Forest Products Limited

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING RESULTS

Selected Financial Information	2002	2001[2]	2000[2]	1999[2]	1998[2]
	(millions of dollars except per share amounts)				
Sales	784.1	704.1	745.6	661.1	597.1
Operating earnings (loss)	59.5	(37.4)	53.1	(45.5)	(81.0)
EBITDA[2]	121.1	45.4	107.7	100.2	21.5
Net earnings (loss) after tax, before restructuring costs and property, plant & equipment write-downs	41.6	(6.7)	28.4	17.4	(26.6)
Net earnings (loss)	40.0	(25.9)	30.7	(30.8)	(53.2)
Net earnings (loss) per share	1.12	(0.75)	0.90	(0.87)	(1.51)
Cash flow from operations[1] per share	3.01	0.72	3.08	2.09	(0.28)

1 See Glossary for definition
2 Restated for change in accounting policy for inventories. See "Accounting Policy Change".
3 EBITDA represents earnings before interest, taxes, depletion and amortization. The Company disclosed EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance. EBITDA can be calculated from the statement of operations as follows:

	2002	2001	2000	1999	1998
Net earnings (loss)	40.0	(25.9)	30.7	(30.8)	(53.2)
Add: Income taxes (recovery)	21.3	(14.9)	22.7	(19.4)	(36.4)
Interest expense	3.6	5.5	3.0	8.2	11.5
Depletion and amortization	53.7	48.9	54.9	62.7	56.0
Restructuring costs, asset write-downs and other	2.5	31.8	(3.6)	79.5	43.6
EBITDA	121.1	45.4	107.7	100.2	21.5

Volume and Price Statistics	2002	2001	2000	1999	1998
Lumber sales (MMfbm)	760	674	621	551	528
Lumber production (MMfbm)[1]	783	666	632	565	551
Log sales (thousand cubic metres)	1,375	1,581	1,803	1,992	1,506
Log production (thousand cubic metres)	2,911	2,760	3,407	3,449	2,818
Log consumption (thousand cubic metres)	3,400	2,919	2,729	2,469	2,394
Average lumber selling price ($/Mfbm)[2]	$765	$732	$795	$776	$770

1 Includes lumber produced on a custom cutting basis for customers who have previously purchased the logs, in most cases from Interfor.
2 $ Canadian, FOB Vancouver, excluding countervailing duty and antidumping duty.

Quarterly Earnings Summary	2002				2001[2]			
	Quarters				Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(millions of dollars except per share amounts)							
Sales	177.4	194.3	196.7	215.7	160.4	182.5	189.5	171.7
Operating earnings (loss)	6.6	21.8	10.9	20.2	(31.9)	(2.4)	(4.3)	1.2
EBITDA[2]	14.6	37.6	30.9	38.0	9.5	12.7	10.9	12.3
Net earnings (loss) after tax, before restructuring costs and property, plant & equipment write-downs	4.1	13.5	9.2	14.8	0.4	(2.2)	(3.7)	(1.2)
Net earnings (loss)	4.1	13.5	7.6	14.8	(18.8)	(2.2)	(3.7)	(1.2)
Net earnings (loss) per share	0.12	0.38	0.21	0.41	(0.59)	(0.07)	(0.11)	(0.03)
Cash flow from operations[1] per share	0.36	0.93	0.65	1.06	(0.15)	0.38	0.33	0.22

1 See Glossary for definition
2 Restated for change in accounting policy for inventories. See "Accounting Policy Change".
3 EBITDA (see description above). EBITDA can be calculated from the statement of operations as follows:

	2002 1st	2002 2nd	2002 3rd	2002 4th	2001 1st	2001 2nd	2001 3rd	2001 4th
Net earnings (loss)	4.1	13.5	7.6	14.8	(18.8)	(2.2)	(3.7)	(1.2)
Add: Income taxes (recovery)	2.3	8.2	4.5	6.3	(12.7)	(1.1)	(2.2)	1.1
Interest expense	1.1	0.7	0.9	0.9	0.4	1.5	2.0	1.6
Depletion and amortization	7.1	15.2	15.4	16.0	8.8	14.5	14.8	10.8
Restructuring costs, asset write-downs and other	-	-	2.5	-	31.8	-	-	-
EBITDA	14.6	37.6	30.9	38.0	9.5	12.7	10.9	12.3

General Overview

Interfor recorded net earnings of $40.0 million ($1.12 per share) in 2002 compared to a net loss of $25.9 million ($0.75 per share) in 2001. EBITDA was $121.1 million (2001 - $45.4 million). Before restructuring costs and property, plant and equipment write-downs, net earnings for 2002 were $41.6 million ($1.16 per share) compared to a net loss of $6.7 million ($0.19 per share) in 2001. The 2002 results are net of $24.5 million pre-tax or $0.43 per share after tax in countervailing (18.79%) and antidumping (8.43%) duties imposed by the U.S. Department of Commerce ("USDOC") on the value of shipments of softwood lumber to the U.S. The 2002 results include a reversal of duties accrued in 2001 in the amount of $10.3 million pre-tax or $0.18 per share after tax (see "U.S. Softwood Lumber Duty Action" below).

From a cash standpoint, Interfor generated net cash flow (after changes in working capital) of $87.8 million in 2002 (2001 - $61.1 million), and spent $41.1 million on capital projects (2001 - $41.3 million). In this regard, spending on both roads and property, plant and equipment was constrained as projects were deferred pending greater clarity on trade and policy issues or, in some cases, pending the results of management initiatives to improve performance.

Interfor repaid a total of $51.6 million in debt in 2002. At the end of 2002, total debt was $50.0 million compared to $101.6 million at December 31, 2001. With net debt totalling 15% of invested capital, Interfor's strong balance sheet enhances the Company's ability to withstand the uncertainty associated with the softwood lumber dispute and provides a basis to pursue strategic opportunities.

U.S. Softwood Lumber Duty Action

On March 21, 2002 and further adjusted on April 25, 2002, the U.S. Department of Commerce ("USDOC") issued its final determination in the countervailing and antidumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% to be posted by cash deposits from the effective date of the Final Order (May 22, 2002 as discussed below). The USDOC's final determination in the antidumping investigation resulted in company specific duty rates ranging from 2.18% to 12.44% on the six companies investigated and an "all other rate" of 8.43% for all other companies including Interfor. On May 16, 2002, the U.S. International Trade Commission ("USITC") published its final written determination on injury and stated that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, effective from the Final Order date of May 22, 2002, cash deposits are required for shipments at the rates determined by the USDOC. Bonds or cash deposits posted prior to May 22, 2002 have been refunded. The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels.

The Company has recorded $24.5 million as a reduction of sales revenue for the period from May 22, 2002 to December 31, 2002 representing the combined final countervailing and antidumping duties of 27.22%. The Company had accrued $8.9 million for the period from August 17, 2001 to December 15, 2001 representing the preliminary USDOC countervailing duty rate of 19.31%, and $7.0 million for the period from November 6, 2001 to May 6, 2002, representing the preliminary USDOC antidumping duty rate of 12.58%. In April 2002, the Company reversed these accruals, totalling $15.8 million or $0.27 per share, to reflect the effective date of the Final Order. Of the amount reversed, $10.3 million relating to fiscal 2001 sales was recorded as a separate item in costs and expenses. The remaining reversal of $5.5 million related to 2002 and has been recorded as a credit to sales. Any further adjustments resulting from a change in the countervailing and antidumping duty rates will be made prospectively.

Accounting Policy Change

The Company has retroactively changed the method of valuation of log inventories to a more dis-aggregated basis. Logs are now valued at the lower of cost and net realizable value on a boom by boom basis. Previously log inventories were aggregated within operational business units or groups of business units and valued at the lower of total cost and total net realizable value for the entire unit. The increase in externally purchased logs following the addition of the Acorn and Field sawmills in 2001 was a factor in making this change. The change is consistent with Interfor's objectives of conservative valuation of assets. The impact of this change on earnings and earnings per share for the year ended December 31, 2001 was an increase in the net loss of $1.6 million or $0.05 per share.

Comparison With 2001

Interfor's sales revenues increased by 11% in 2002 primarily due to a 13% increase in lumber sales volumes combined with a 4% increase in lumber unit selling prices. Unit log sales prices increased by 16%, however log sales volumes dropped by 13%. Pulp chip revenues fell by 5% compared to 2001, with unit selling prices dropping by 15%. Lumber and chip volumes increased over 2001 as the Acorn and Field sawmills were acquired in May 2001.

Production costs increased primarily as a result of the higher volume of lumber production. Unit cash manufacturing costs in the Company's sawmills decreased by 10%. Unit logging costs were reduced by 4%, despite an increase of 42% in stumpage costs. The reduction in logging costs other than stumpage was due to programs initiated in 2001 to reduce costs and to the impact of spreading fixed costs over an increased volume harvested.

The increase in selling and administration costs is due to the addition of the Primex operations and the professional costs associated with the countervailing duty and antidumping duty trade actions.

Depletion and amortization costs in total increased by $4.8 million compared to 2001, reflecting the inclusion of the Primex assets for 12 months as opposed to 8 months in 2001 and higher operating levels in the Company's remaining sawmills and in woodlands.

Interest costs decreased during the year primarily due to decreased debt levels. Interfor's average total debt was down more than $19 million compared to 2001. In addition, the Company's average direct borrowing rates were approximately 1% lower than in 2001.

The recovery of U.S. countervailing and antidumping duties of $10.3 million was as a result of the USITC final written determination on injury referred to above under "U.S. Softwood Lumber Duty Action". The duties had been expensed and accrued between August 17, 2001 and December 31, 2001.

Restructuring costs in 2002 of $2.5 million were incurred related to the permanent closure of the McDonald Cedar value-added plant which has been relocated to Sumas, Washington in order to reduce the effects of duties on the Company's shipments to the U.S. The restructuring costs included severance payments plus other plant closure costs and property, plant and equipment write-downs. Included in 2001 were restructuring costs of $36.6 million, incurred primarily for property, plant and equipment write-downs on the Fraser Mills sawmill and write-downs of other plant and equipment and logging roads whose carrying values were not considered to be recoverable due to the Central Coast land use decision. The 2001 total also included severance and other costs of closing offices and reducing operations and was reduced by a one-time $4.8 million rebate from the Workers' Compensation Board of B.C.

CASH FLOWS

Cash generated from operations, before working capital changes, was $107.8 million for the year. Increased investment in working capital of $20.0 million resulted in a net cash generation from operations of $87.8 million for the year.

On November 15, 2002, the Company commenced a normal course issuer bid to acquire up to 2,979,000 Class A shares (representing approximately 8.54% of the outstanding Class A shares) through the facilities of the Toronto Stock Exchange. During 2002 the Company acquired 350,000 Class A shares at a total cost of $2.0 million. The bid expires on November 14, 2003.

During the year Interfor repaid $50.0 million of the term line of credit established in 2001 to facilitate the Primex acquisition, with the term line permanently reduced by the repayment.

Net cash applied to property, plant and equipment, timber and logging roads and investments totaled $34.0 million. The Company expended $24.0 million to construct roads and $17.1 million to improve plant and equipment. Approximately 60% of the expenditures on plant and equipment were attributed to projects which are expected to have paybacks of less than two years and the balance was used to maintain the efficiency of the Company's operations. Cash proceeds from the sale of surplus assets totaled $3.5 million in 2002.

FINANCIAL POSITION

Summary of Financial Position	2002	2001[2]	2000[2]	1999[2]	1998[2]
			(millions of dollars)		
Current assets	201.2	175.0	148.2	164.6	178.0
Current liabilities	126.4	115.3	103.6	96.3	87.1
Working capital	74.8	59.7	44.6	68.3	90.9
Total assets	537.3	526.1	413.4	458.3	556.8
Operating debt	0.0	1.6	3.9	0.0	0.0
Long-term debt	50.0	100.0	0.0	87.1	160.4
Total debt	50.0	101.6	3.9	87.1	160.4
Shareholders' equity	293.9	255.8	265.8	247.5	278.3
Invested capital	343.9	357.4	269.7	334.6	438.7
Ratio and Investment Information					
Current ratio	1.6	1.5	1.4	1.7	2.0
Total debt as a percentage of invested capital	14.5%	28.4%	1.4%	26.0%	36.6%
Return on average shareholders' equity[1]	14.5%	(9.9)%	12.0%	(11.7%)	(17.4%)
Return on average invested capital[1]	12.1%	(7.1)%	10.7%	(6.7%)	(9.2%)
Pre-tax return on total assets[1]	11.4%	(7.8)%	12.9%	(10.9%)	(16.1%)
Cash flow from operations[1] as a percentage of total debt	216.6%	24.6%	2,681.7%	84.3%	(6.2%)
Equity per share	$8.27	$7.13	$8.29	$7.03	$7.91
Weighted average shares outstanding (millions)	35.9	34.6	34.0	35.2	35.2
Re-investment					
			(millions of dollars)		
Cash flow from operations[1]	107.8	25.0	104.7	73.4	(10.0)
Cash generated from (used in) operating working capital	(20.0)	36.1	19.1	27.4	133.5
Capital expenditures and acquisitions	(41.1)	(139.7)	(52.6)	(31.4)	(38.7)

1 See Glossary for definition
2 Restated for change in accounting policy for inventories. See "Accounting Policy Change".

Current Assets

Accounts receivable levels at December 31, 2002 are significantly higher than 2001. This reflects higher volumes and unit prices of lumber sales and higher unit prices for log sales in the month of December.

Interfor's inventory levels are higher than 2001, reflecting the increased level of both log and lumber production in 2002, and increased log purchases. Lumber volumes in inventory increased by 10%, while log inventory volumes were up by 15% over December 31, 2001.

Current Liabilities

The Company's has available operating lines of credit of $60.0 million. The Company had no current bank borrowings at the end of 2002. The Company's working capital ratio was 1.6 to 1, compared to 1.5 to 1 at December 31, 2001. The Company is in compliance with all covenants of its operating credit facilities.

Accounts payable were higher due to increased operating levels in December 2002 in both the Company's manufacturing plants and in woodlands operations. Mild weather along with higher log values contributed to the increased operating level in the woodlands operations.

Property, Plant and Equipment, Timber and Logging Roads

The net book value of the Company's property, plant and equipment, timber and logging roads decreased by $15.1 million in 2002. Investments during the year were approximately $12.0 million less than charges for amortization and depletion. Spending on both roads and property, plant and equipment was constrained pending greater clarity on trade and policy issues (see "U.S. Softwood Lumber Action" and "Proposed Forest Policy Changes in British Columbia", respectively, below). Investments in property, plant and equipment included $7.1 million on maintenance of business projects and $10.0 million on high-return discretionary projects.

Long Term Liabilities

The Company's total long-term debt was decreased to $50.0 million in 2002, down from $100.0 million in 2001. The Company had an unutilized term bank facility of $40.0 million at year end. Net debt as a percentage of invested capital decreased to 14.5% from 28.4% in 2001. The Company is in compliance with all covenants under its term credit facilities.

Other long-term liabilities decreased primarily due to reductions in forestry related liabilities.

RISKS AND UNCERTAINTIES

Supply / Demand Relationships

Markets for the Company's products are affected by such factors as economic growth, interest rates, construction activity, and log and chip supply / demand relationships. The Company maintains a policy of market and product diversification to enable it to shift its production into strengthening markets and to manufacture more value-added products.

Based on 2002 levels of operations, a $10 change in the Company's average selling price of its products would impact net earnings as follows:

Lumber	-	$10 change per mfbm	$4.9 million
Chips	-	$10 change per volumetric unit	$3.3 million

Currency Exchange Sensitivity

Interfor ordinarily sells approximately three-quarters of its lumber into export markets. The Company enters into foreign exchange contracts to effectively hedge its offshore sales. In respect of sales to the United States the Company identifies opportunities from time to time to enter into currency contracts on a portion of its future U.S. dollar receipts. At year-end the Company had outstanding obligations to sell a maximum of U.S.$83 million at an average rate of CDN$1.61 per U.S.$1.00 and ¥371 million at an average rate of ¥76.45 per CDN$1.00, using a combination of forward and option contracts.

Based on 2002 sales revenue, the sensitivity of Interfor's net earnings to a one per cent change in the value of the Canadian dollar relative to the currencies of the Company's two largest export markets is as follows:

Japanese Yen	$1.3 million
U.S. Dollar	$1.2 million

Cost of Debt Financing

As at December 31, 2002 Interfor had drawn a total of $50 million of floating rate debt under its term and operating credit facilities.

The Company's operating and term debt facilities bear interest at bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The lines of credit are secured and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

U.S. Softwood Lumber Action

The final amount and effective date of countervailing and/or antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on determinations yet to be made by the USDOC and USITC and any reviewing courts, NAFTA or WTO panels to which those determinations may be appealed.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") categorically deny the U.S. allegations and strongly disagree with the final countervailing and antidumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this trade dispute. Canadian Interests may appeal the decision of these administrative agencies to the appropriate courts, NAFTA panels and the WTO. Notwithstanding the duty rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties, if any, will not be determined until each annual administrative review process is complete.

Proposed Forest Policy Changes in British Columbia

The B.C. government has indicated that in 2003 they plan to introduce a number of changes to forest policy that will help make a more viable and competitive forest industry in B.C. Proposed policy changes include a results based Forest Practices Code; market based timber pricing; changes to mandatory requirements in areas such as licence transfers, cut control, and appurtenancy; and changes to tenure arrangements which could include reductions in allowable annual cut. The B.C. government has stated that fair compensation will be assured for existing tenure holders that recognizes both the benefits and costs of reform. The changes are also expected to be part of an overall settlement that may bring about a resolution to the Canada – U.S. softwood lumber trade dispute and help address outstanding First Nation issues. The B.C. government believes that the proposed changes would lead to market driven decisions pertaining to what, how and when to harvest; where to process timber; and what products to produce. The B.C. government also believes that the measures substantively address the U.S. lumber industry's concerns and will result in a more competitive B.C. industry.

The softwood lumber trade discussions between the Government of Canada, the provincial governments and the U.S. Government are continuing. Although the B.C. government has indicated the specific proposals tabled as part of these discussions are conditional on achieving final agreement on the framework of a settlement, the Company believes that regardless of the outcome of the softwood lumber trade dispute certain changes will be made in the areas referred to above.

Allowable Annual Cut

Interfor's allowable annual cut (AAC) from Forest Licence and Tree Farm Licence tenures is determined through the Ministry of Forest's Timber Supply Review (TSR) process. The TSR assesses information pertaining to each timber supply unit every five years to re-determine its AAC. Interfor's AAC was reduced by 1.9% (64,987 cubic metres per year) from TSR determinations in 2002. In addition, the Company's AAC may be temporarily reduced in areas where logging has been suspended under Part 13 of the Forest Act (Designated Areas). Interfor's AAC was temporarily reduced by 3.9% (131,279 cubic metres per year) from Part 13 determinations made in 2002.

Many factors affect the AAC such as timber inventory, the amount of operable forest land, growth estimates of young forests, regulation changes, and environmental and social considerations. The AAC can be affected by factors that can exert both positive and a negative impact on timber supply. Some overall reductions to Interfor's AAC are expected in subsequent years as a result of new park additions and harvesting regulations that further constrain access to timber.

Land Use Decisions and First Nation Treaty Settlements

Interfor operates on public forest lands in B.C., which are subject to B.C. government decisions on land use and treaty settlements. Government land use planning processes for several coast regions of B.C. will continue through 2003 and beyond. The treaty settlement process is ongoing and various interim measures to address First Nation concerns are being considered. The loss of harvesting rights due to both land use decisions and treaty settlements would be subject to the compensation provisions contained within provincial legislation.

Stumpage Fees

Stumpage is the fee the B.C. government charges companies to harvest timber from Crown Land. The amount of stumpage paid for each cubic metre of wood harvested is currently based on a target rate set by government. Stumpage payments for a harvesting area are managed to take into consideration specific operating conditions, timber quality and administrative procedures. Periodic changes in the B.C. government's administrative policy can affect stumpage costs and the viability of individual logging operations.

Interfor believes that changes to the stumpage system are necessary to create fairness and equity in government's pricing of timber. The current stumpage system does not accurately reflect market conditions or recognize the changes in operating costs associated with changes in government regulations. Amending the stumpage system is complex and the subject of discussion involving lumber trade issues between Canada and the U.S. The move to a more open and competitive market pricing system for timber and logs is being considered by government. A new stumpage system is expected to be introduced by government in 2003. Until details of such a system is introduced it is not possible to predict future stumpage rates.

Environment

Interfor has certified all of its forest operations to meet world class environmental standards. The Company's leadership in environmentally responsible work is designed to address the growing public and consumer preference for quality wood products from well managed forests. The Company believes in promoting the use of its wood products as a good choice for the environment.

Ongoing Company monitoring and independent assessments verify environmental performance and lead to continual improvement. In future, as changes to streamline government regulations are considered, there may be opportunities to use certification as a results-based method to measure environmental performance.

A concern over the use of wood from old growth forests in B.C. has been raised in the marketplace by certain groups seeking to preserve these forests. In response to market based needs, Interfor has worked proactively to provide factual information about sustainable forestry that will help our customers make environmentally responsible purchasing decisions. The Company has also been involved in a collaborative joint solutions project with certain environmental groups that has successfully addressed market based compaigns for areas of concern on the B.C. coast.

OUTLOOK FOR 2003

Markets

A number of factors have the potential to negatively impact demand and prices in Interfor's principal markets in 2003. In the U.S., housing starts are projected to exceed 1.6 million units for the second year in a row. However, in spite of the strong construction activity, the U.S. structural lumber market will likely remain oversupplied in 2003 with prices well below those achieved in recent years. Although demand for cedar products has been strong, the impact of duties on product pricing could lead to the loss of market share to substitute products.

In Japan, housing starts are expected to remain in the 1.0 – 1.1 million range, with traditional post and beam construction accounting for approximately 43% - 45% of all starts. Lumber pricing levels in Japan are expected to remain under pressure throughout 2003 due to the underlying weakness of the economy.

The recent increases in the Canadian dollar, if sustained, will negatively impact Interfor's competitiveness and profitability in the U.S. and Japanese markets in 2003.

Pulp prices are expected to rise in the first half of 2003 reflecting reduced North American and Scandinavian pulp inventories, chip shortages in Eastern Canada and increased Asian demand. Consequently, formula driven chip prices are expected to rise modestly from 2002 levels. However, the price of pulp logs is expected to remain low during 2003 as supply is not expected to be constrained.

Softwood Lumber Dispute

Negotiations are expected to continue in 2003 in an attempt to find a durable, long-term solution to the lumber trade dispute with the U.S. Interfor is hopeful that a negotiated settlement can be reached, however in the absence of a settlement the Company will continue to participate in challenges to the WTO and NAFTA. Interfor remains confident that the allegations by U.S. protectionist interests will not stand up to independent scrutiny.

Operations

The collective agreement between coastal forest products companies and the I.W.A. expires on June 14th 2003. Uncertainty and unresolved issues facing the industry and issues such as competitiveness with other regions will be factors in the negotiations. From the union's standpoint, key issues are likely to be job security, severance benefits and pension contributions.

Subject to labour peace, Interfor intends to maintain relatively high operating rates in 2003. As is the Company's practice, however, operating rates will be adjusted as necessary to keep inventories at prudent levels and to maximize cash earnings.

Business strategies put in place over the last four years to upgrade the Company's asset base, reduce costs and reposition product lines paid off in 2002 with the strongest financial performance by the Company in more than eight years. The improvement in Interfor's financial results in 2002 was achieved in spite of weak markets for many of the Company's products and the imposition of countervailing and antidumping duties on shipments to the U.S.

In spite of the progress achieved in 2002, Interfor continues to face many challenges which have the potential to undermine the Company's financial performance. In order to address these challenges Interfor intends to maintain its current operating focus, proceed with capital projects which enhance long-term earnings potential and pursue acquisitions or other opportunities which improve the Company's strategic positioning.

FORWARD LOOKING STATEMENTS

This report contains statements that are forward looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by those forward looking statements. Such risks and uncertainties include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency exchange rates and other factors referenced herein.

INTERFOR

INTERNATIONAL FOREST PRODUCTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of International Forest Products Limited (Interfor) is responsible for preparing the accompanying consolidated financial statements. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and are necessarily based in part on management's best estimates and judgements. The financial information included elsewhere (in the Statutory Reports) is consistent with that in the consolidated financial statements.

Interfor maintains a system of internal accounting control which management believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes communications to employees of Interfor's standards for ethical business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through its Audit Committee, the members of which are neither officers nor employees of Interfor. The Committee meets periodically with management and the independent Auditors to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and the independent Auditors' report. The Company's Auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also makes recommendations to the Board with respect to the appointment and remuneration of the Auditors.

The consolidated financial statements have been examined by the independent Auditors, KPMG LLP and their report follows.

D.K. Davies
President and Chief Executive Officer

John Horning
Senior Vice President and Chief Financial Officer

January 17, 2003

INTERFOR

INTERNATIONAL FOREST PRODUCTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of International Forest Products Limited as at December 31, 2002 and 2001 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in accounting for inventories explained in note 1(l) to the financial statements, on a consistent basis.

KPMG LLP

KPMG LLP, Chartered Accountants

Vancouver, Canada
January 17, 2003

INTERNATIONAL FOREST PRODUCTS LIMITED
Consolidated Balance Sheets
(Expressed in thousands of dollars)
December 31, 2002 and 2001

	2002	2001
		(restated - note 1(l))
Assets		
Current assets:		
Cash	$ 242	$ -
Accounts receivable	40,257	24,388
Income taxes receivable	-	4,463
Inventories (notes 1(l) and 3)	142,263	121,718
Prepaid expenses	6,298	5,594
Future income taxes (note 9)	12,166	18,830
	201,226	174,993
Investments and other assets:		
Investments and advances (note 4)	33,796	33,150
Deferred financing fee, net of accumulated amortization	-	554
	33,796	33,704
Property, plant and equipment (note 5)	426,073	441,451
Accumulated amortization	(229,918)	(240,184)
	196,155	201,267
Timber and logging roads, net of accumulated depletion and amortization	86,449	96,463
Goodwill, net of accumulated amortization (note 1(l))	19,647	19,669
	$ 537,273	$ 526,096
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ -	$ 1,589
Accounts payable and accrued liabilities	126,226	113,774
Income taxes payable	190	-
	126,416	115,363
Reforestation liability, net of current portion	21,763	20,467
Long-term debt (note 6)	50,000	100,000
Other long-term liabilities	9,406	12,954
Future income taxes (note 9)	35,767	21,493
Shareholders' equity:		
Share capital (note 7):		
Issued and fully paid:		
Class A subordinate voting shares	218,455	220,577
Class B common shares	4,080	4,080
Contributed surplus	8,285	8,043
Retained earnings	63,101	23,119
	293,921	255,819
	$ 537,273	$ 526,096

Commitments and contingencies (note 10)
See accompanying notes to consolidated financial statements.
Approved on behalf of the Board:

W. L. Sauder, Director   J. A. Milroy, Director

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

(Expressed in thousands of dollars, except earnings (loss) per share amounts)

Years ended December 31, 2002 and 2001

	2002	2001 (restated -note 1(l))
Sales (notes 1(i) and 10(b))	$ 784,140	$ 704,094
Costs and expenses:		
Production	660,446	646,259
Selling and administration	18,285	14,485
Amortization of plant and equipment	21,674	20,274
Depletion and amortization of timber, roads and other	32,051	28,689
Recovery of duties accrued in prior year (note 10(b))	(10,333)	-
Restructuring costs and write-downs of property, plant and equipment (note 8)	2,500	31,776
	724,623	741,483
Operating earnings (loss)	59,517	(37,389)
Other earnings (expenses):		
Interest expense on long-term debt	(3,050)	(4,088)
Other interest expense	(496)	(1,399)
Other income	1,352	175
BC Corporation capital tax	(209)	(872)
Equity in earnings of investee companies	4,206	2,794
	1,803	(3,390)
Earnings (loss) before income taxes	61,320	(40,779)
Income taxes (note 9):		
Current	400	536
Future (recovery)	20,938	(15,431)
	21,338	(14,895)
Net earnings (loss)	$ 39,982	$ (25,884)
Net earnings (loss) per share (note 11):		
Basic	$ 1.12	$ (0.75)
Diluted	$ 1.11	$ (0.75)

Consolidated Statements of Retained Earnings

(Expressed in thousands of dollars)

Years ended December 31, 2002 and 2001

	2002	2001 (restated -note 1(l))
Retained earnings, beginning of year as restated	$ 23,119	$ 49,183
Share issue expenses, net of future income taxes	-	(180)
Net earnings (loss)	39,982	(25,884)
Retained earnings, end of year	$ 63,101	$ 23,119

See accompanying notes to consolidated financial statements.

INTERNATIONAL FOREST PRODUCTS LIMITED
Consolidated Statements of Cash Flows
(Expressed in thousands of dollars)
Years ended December 31, 2002 and 2001

	2002	2001
		(restated -note 1(l))
Cash provided by (used in):		
Operations:		
Net earnings (loss)	$ 39,982	$ (25,884)
Items not involving cash:		
Amortization of plant and equipment	21,674	20,274
Depletion and amortization of timber, roads and other	32,051	28,689
Future income taxes	20,938	(15,431)
Reforestation liability	1,296	(971)
Other long-term liabilities	(3,548)	(490)
Equity in earnings of investee companies	(4,206)	(2,794)
Write-down of property, plant and equipment	1,126	21,895
Other	(1,543)	(284)
	107,770	25,004
Changes in non-cash operating working capital:		
Accounts receivable	(15,869)	14,093
Income taxes	4,653	(816)
Inventories	(20,545)	22,136
Prepaid expenses	(704)	2,151
Accounts payable and accrued liabilities	12,452	(1,504)
	87,757	61,064
Investments:		
Acquisitions (note 2)	-	(98,389)
Additions to property, plant and equipment	(17,067)	(21,399)
Additions to logging roads and timber	(24,028)	(19,866)
Proceeds on disposal of property, plant and equipment	3,467	573
Investments and other assets	3,582	(838)
	(34,046)	(139,919)
Financing:		
Repurchase of capital stock	(1,880)	-
Share issue expense	-	(300)
Increase (reduction) in long-term debt	(50,000)	87,111
Decrease in bank indebtedness	(1,589)	(7,956)
	(53,469)	78,855
Increase in cash	242	-
Cash, beginning of year	-	-
Cash, end of year	$ 242	$ -
Supplementary disclosures:		
Cash interest paid	$ 3,546	$ 5,487
Cash income taxes paid	400	536
Non-cash transaction:		
Shares issued on acquisition of subsidiary (note 2)	-	16,080

See accompanying notes to consolidated financial statements.

1. **Significant accounting policies:**

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Primex Forest Products Ltd., Saltair Timber Products Ltd., Primex Fibre Ltd., Helifor Industries Limited, Interfor Japan Ltd., 372624 BC Ltd., Cedarprime Inc. and Westminster Wood Products Ltd., its 100% interest in the Field Sawmills Limited Partnership, and its 50% interest in the joint venture, Interfor/Kvamua Venture.

(b) Inventories:

Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Log inventories are valued at the lower of cost and net realizable value on a specific boom basis. Other inventories consist primarily of supplies and are recorded at cost.

(c) Investments and advances:

Investments over which the Company is able to exert significant influence are accounted for on the equity basis. Other investments are accounted for on the cost basis.

(d) Property, plant and equipment and timber and logging roads:

Property, plant and equipment and timber and logging roads are recorded at cost. Amortization on plant and equipment is provided on a straight-line basis during periods of production at rates (ranging from 5% to 20%) based on the estimated useful lives of the assets. Timber licence depletion and road amortization are computed on the basis of timber cut relative to available timber. Tree farm and forest licences are depleted on a straight-line basis over 40 years.

(e) Reforestation liability:

The British Columbia Forest Act requires the Company to incur the cost of reforestation on its forest and timber licences. Accordingly, the Company records the estimated cost of reforestation as the timber is cut. These costs are included in the cost of current production.

(f) Environmental costs

Environmental expenditures are expensed or capitalized depending upon their future economic benefit. Expenditures that prevent future environmental contamination are capitalized as plant and equipment. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded on an undiscounted basis when rehabilitation efforts are likely to occur and the costs can be reasonably estimated.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of arbitration, restructuring, reforestation, road deactivation and environmental obligations, recoverability of assets and rates for depletion and amortization. Actual results could differ from those estimates.

(h) Income taxes:

Income taxes are accounted for under the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When the realization of future tax assets is not considered to be more likely than not, a valuation allowance is provided.

(i) Sales recognition and presentation policies:

The Company recognizes sales to external customers when the product is shipped and title passes. Sales are recorded net of discounts and countervailing and antidumping duties (note 10(b)).

(Tabular amounts expressed in thousands of dollars,
except number of shares and per share amounts)

1. Significant accounting policies (continued):

(j) Employee future benefits

The estimated costs for pensions and other post-retirement benefits provided to employees by the Company is accrued using actuarial techniques and assumptions, including appropriate discount rate, during the employees' active years of service.

(k) Derivative financial instruments

The Company uses derivative financial instruments for hedging purposes in the management of foreign currency and interest rate exposures. The Company's policy is not to use derivatives for trading or speculative purposes. The risk management strategies and relationships are formally documented and assessed on a regular, on-going basis to ensure the derivatives are effective in offsetting changes in fair values or cash flows of hedged items.

Foreign exchange exposure to foreign currency receipts and related receivables, primarily US currency, is managed through the use of foreign exchange forward contracts and options. The resulting foreign exchange translation gains and losses are recognized when realized on maturity in sales.

Exposure to interest rates on long-term debt is managed through the use of interest swaps. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Amounts accounted for under interest swap agreements are recognized as adjustments to interest expense.

(l) Accounting policy changes:

(*i*) Inventories:

The Company has changed its accounting policy for the valuation of log inventories from a lower of cost and net realizable value on an aggregate mill and camp basis to the lower of cost and net realizable value on a specific boom basis. In accordance with Canadian generally accepted accounting principles, this change in policy has been applied retroactively and prior years' results restated to reflect the new policy. The following changes to historical financial statements have been made to reflect the new policy:

	Prior policy	New policy
Balance Sheet as at December 31, 2001:		
Inventories	$ 123,572	$ 121,718
Future income tax asset	18,192	18,830
Retained earnings, ending	24,335	23,119
Retained earnings, beginning	48,752	49,183
Statement of Operations for the year ended December 31, 2001:		
Cost and expenses	$ 738,831	$ 741,483
Income taxes	13,890	14,895
Net loss	24,237	25,884
Net loss per share	0.70	0.75

(*ii*) Goodwill:

Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") handbook standard 3062 on goodwill and other intangible assets. Under this new standard, goodwill is no longer amortized but is instead subject to an annual impairment test. Any excess of carrying value over fair value at the test date is charged to earnings. The fair value of goodwill at the impairment test date is the excess of the fair value of the reporting unit that initially gave rise to the goodwill over the amounts assigned to its assets and liabilities.

(Tabular amounts expressed in thousands of dollars,
except number of shares and per share amounts)

(l) Accounting policy changes (continued):

(*ii*) Goodwill (continued):

As a result of the new standard, the Company has not recorded any amortization of goodwill in the current period. This standard has been given prospective application. Retroactive application of the standard would have had the following impact on the financial statements of the Company:

		2002		2001
Net earnings (loss) reported	$	39,982	$	(25,884)
Goodwill amortization		-		905
Adjusted net earnings (loss)	$	39,982	$	(24,979)
Earnings (loss) per share reported	$	1.12	$	(0.75)
Goodwill amortization		-		0.03
Adjusted basic earnings (loss) per share	$	1.12	$	(0.72)
Adjusted diluted earnings (loss) per share	$	1.11	$	(0.72)

(*iii*) Share-based compensation plans:

The Company adopted the new CICA handbook standard 3870 on share-based compensation and other share-based payments. This standard has been applied to the Company's Share Appreciation Rights Plan, which was established in January 2002.

Under this new standard, the Company accounts for these share appreciation rights using the fair value based method. Under the fair value based method, compensation cost attributable to awards to employees under the Share Appreciation Rights Plan is recognized on a pro-rata basis over the vesting period. The total amount accrued for 2002 was $382,000 (2001 - nil).

No compensation cost is recorded in respect of the Company's Employee Share Option Plan. Consideration paid by employees on the exercise of share options is recorded as share capital. No share options have been granted subsequent to December 31, 2001, and, as such, no pro forma disclosure of the effect of accounting for these awards under the fair value based method is provided.

(*iv*) Foreign currency:

Effective January 1, 2002, the Company retroactively adopted the revised CICA handbook standard 1650 with respect to the accounting for transactions that are denominated in a foreign currency. Under the revised standard, exchange gains and losses that arise on translation or settlement of foreign currency denominated monetary items are included in the determination of net income for the current period. The adoption of the revised standard did not result in any changes to previously reported amounts.

(m) Net earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed using the treasury stock method.

(n) Comparative figures:

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

2. Acquisitions:

On May 1, 2001, the Company acquired 94.1% of the common shares of Primex Forest Products Ltd. ("Primex") bringing its total shareholdings in Primex to 96.0% of the outstanding common shares. On July 16, 2001, the Company acquired the remaining common shares of Primex. In addition, effective June 30, 2001 Primex acquired the remaining 51% of the common shares of Saltair Timber Products Ltd., in which Primex previously held a 49% interest. To acquire 100% of Primex, including the balance of the shares in Saltair, the Company issued 3,783,454 common shares with a fair value of $16,080,000, and paid an additional $98,389,000, which was financed through a new term debt facility.

(Tabular amounts expressed in thousands of dollars,
except number of shares and per share amounts)

2. **Acquisitions (continued):**

These acquisitions have been accounted for using the purchase method with the purchase price allocated as follows:

Net assets acquired:		
Current assets	$	54,927
Investments		5,753
Property, plant and equipment		85,909
Goodwill		20,574
		167,163
Liabilities assumed:		
Current liabilities		24,212
Long term debt		10,278
Future income taxes		18,204
		52,694
	$	114,469
Consideration:		
Common shares	$	16,080
Cash		98,389
	$	114,469

3. **Inventories:**

	2002	2001 (restated – note 1(l))
Logs	$ 102,816	$ 90,051
Lumber	36,090	28,108
Other	3,357	3,559
	$ 142,263	$ 121,718

4. **Investments and advances:**

	2002	2001
Seaboard Shipping Company Limited	$ 24,803	$ 24,450
Mapri Developments Ltd.	6,531	5,895
Other	2,462	2,805
	$ 33,796	$ 33,150

During the year, the Company recorded $4,206,000 (2001 - $2,794,000) in equity earnings and received $3,675,000 (2001 - $1,638,000) in cash distributions from investee companies.

(Tabular amounts expressed in thousands of dollars,
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5. **Property, plant and equipment:**

2002	Cost	Accumulated amortization	Net book value
Land	$ 31,416	$ -	$ 31,416
Buildings	75,881	41,403	34,478
Machinery and equipment	265,179	152,550	112,629
Automotive equipment	17,952	14,353	3,599
Other	35,645	21,612	14,033
	$ 426,073	$ 229,918	$ 196,155

2001	Cost	Accumulated amortization	Net book value
Land	$ 29,749	$ -	$ 29,749
Buildings	87,318	47,485	39,833
Machinery and equipment	269,283	155,419	113,864
Automotive equipment	18,300	13,402	4,898
Other	36,801	23,878	12,923
	$ 441,451	$ 240,184	$ 201,267

6. **Bank indebtedness and long-term debt:**

(a) Bank indebtedness:

The Company has available operating lines of credit totaling $60,000,000 (2001 - $60,000,000), of which $56,530,000 (2001 - $56,135,000) was unused at December 31, 2002. The line utilization arose from the issuance of letters of credit. The loan bears interest at bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The lines of credit are secured and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

(b) Long-term debt:

	2002	2001
Bank term loans	$ 50,000	$ 100,000

The Company has available a revolving term line of credit (the “Revolving Line”) which it reduced on September 15, 2002 from $65,000,000 to $40,000,000 (2001 - $65,000,000). This line was unused at December 31, 2002 (2001 - nil). The maturity date of the Revolving Line has also been changed from April 29, 2004 to April 28, 2003.

In 2001, the Company established a term line of credit (the “Acquisition Line”) totaling $100,000,000, which was used to facilitate the acquisition of Primex Forest Products Limited. During 2002, the Company repaid $50,000,000 (2001 - nil), with the Acquisition Line permanently reduced by the repayment. As at December 31, 2002, the amount of the Acquisition Line totaled $50,000,000 (2001 - $100,000,000) and was fully drawn (2001 - $100,000,000). The Acquisition Line matures on April 30, 2004.

The term loans bear interest at rates based on bank prime plus a premium, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances.

(Tabular amounts expressed in thousands of dollars,
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6. Bank indebtedness and long-term debt (continued):

(b) Long-term debt (continued):

Minimum principal amounts due on long-term debt within the next five years are follows:

2003	$	-
2004		50,000
2005		-
2006		-
2007		-

7. Share capital:

Authorized capital at December 31, 2002 and 2001 consists of:

100,000,000 Class A subordinate voting shares without par value

1,700,000 Class B common shares without par value

5,000,000 preference shares without par value

Share transactions during 2002 and 2001 were as follows:

	Number				
	Class A	Class B	Total		Amount
Balance, December 31, 2000	31,066,262	1,015,779	32,082,041	$	208,577
Share issuances	3,783,454	-	3,783,454		16,080
Balance, December 31, 2001	34,849,716	1,015,779	35,865,495		224,657
Share issuances	24,000	-	24,000		93
Share repurchases	(350,000)	-	(350,000)		(2,215)
Balance, December 31, 2002	34,523,716	1,015,779	35,539,495	$	222,535

The first 13-1/3¢ per share per annum of dividends to common shareholders declared are paid on the Class A shares. Any additional dividends must be declared in equal per share amounts on the Class A and B shares.

The Class B shares (carrying ten votes per share) are exchangeable into Class A shares (carrying one vote per share) at any time at the option of the holder or, under certain conditions which will result in the automatic conversion of the Class B shares into Class A shares, on the basis of one Class A share for one Class B share.

On November 15, 2002, the Company commenced a normal course issuer bid to acquire up to 2,979,000 Class A shares (representing approximately 8.54% of the outstanding Class A shares) through the facilities of the Toronto Stock Exchange. Purchases are made at market prices with a maximum of two percent of the outstanding shares being purchased in any 30-day period. During 2002 the Company acquired 350,000 Class A shares at a total cost of $1,973,506 and the shares were cancelled as purchased. The excess of the assigned value of the shares over the cost totaled $241,994 and has been credited to contributed surplus in the year ended December 31, 2002. The Company did not acquire any shares in 2001. The program terminates on November 14, 2003.

The Company has an employee share option plan for its key employees and directors. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. Options outstanding at December 31, 2002 are exercisable at prices ranging from $3.65 to $9.00 per share, the closing market price for the shares on the dates that the options were granted. The options expire at various dates between July 30, 2007 and April 30, 2011.

(Tabular amounts expressed in thousands of dollars,
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7. **Share capital (continued):**

Details of the Company's share option plan for the years ended December 31, 2002 and 2001 are as follows:

	2002		2001	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	2,743,800	$ 4.87	1,846,200	$ 5.43
Granted	-	-	967,600	3.98
Exercised	(24,000)	3.90	-	-
Expired or cancelled	(462,500)	6.34	(70,000)	7.25
Outstanding, end of year	2,257,300	$ 4.58	2,743,800	$ 4.87
Options exercisable, year end	753,240	$ 5.05	648,280	$ 6.13

Details of options outstanding under the share option plan at December 31, 2002 are as follows:

		Options outstanding		Options exercisable	
Range of exercise prices	Number outstanding, December 31, 2002	Weighted average remaining option life (yrs)	Weighted average exercise price	Number exercisable, December 31, 2002	Weighted average exercise price
$9.00	43,400	5.6	$ 9.00	43,400	$ 9.00
$3.65-$5.00	2,213,900	8.2	4.50	709,840	4.81
	2,257,300		$ 4.58	753,240	$ 5.05

At December 31, 2002, Class A shares are reserved for possible future issuance as follows:

(a) 1,015,779 Class A shares are reserved for the conversion of Class B shares; and

(b) 2,916,100 Class A shares are reserved for possible issuance pursuant to the share option plan.

8. **Restructuring costs and write-downs of property, plant and equipment:**

The Company recorded restructuring costs, and property, plant and equipment write-downs consisting of the following:

	2002	2001
Property, plant and equipment write-downs	$ 250	$ 21,895
Severance and other restructuring costs	2,250	14,730
Other (recoveries)	-	(4,849)
	$ 2,500	$ 31,776

On September 29, 2002 the Company announced the permanent closure of its McDonald value-added plant and relocated the operation to Sumas, Washington in order to reduce the effects of duties on the Company's shipments to the United States. A provision of $2,500,000 was recorded in the 2002 to account for the costs of closing the plant.

(Tabular amounts expressed in thousands of dollars,
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8. **Restructuring costs and write-downs of property, plant and equipment (continued):**

On April 4, 2001, the Provincial Government announced its land use decision in the Central Coast of British Columbia, with the establishment of a large number of new protected areas, and the deferral of logging in other areas. The combined effect of this decision is the creation of a large portion of land on the Central Coast where timber harvesting is not allowed, which results in a loss of operating areas and reductions of timber supply. As a result of the land use plan, the Company made the decision to permanently close its Fraser Mills sawmill in October 2001, and to rationalize its logging operations by reducing the number of logging camps and disposing of excess machinery and equipment.

Accordingly, the Company recorded $21,895,000 in write-downs of property, plant and equipment and $14,730,000 in severance and other related restructuring costs. The Company is also looking to the Provincial Government to provide fair compensation and mitigation resulting from the impacts of this land use decision. As such, the Company has not provided for any write-down of timber in the affected areas, as the amount, if any, is not yet determinable.

In 2001, the Company also received a rebate of Workers' Compensation Board insurance premiums paid in previous years totaling $4,849,000, resulting from a restructuring of the Workers' Compensation Board insurance program.

As at December 31, 2002, $10,165,000 (2001 - $9,700,000) in severance and other cash restructuring costs are included in accounts payable and accrued liabilities. The Company expects to pay this amount in 2003 in accordance with its restructuring plans.

9. **Income taxes:**

Future income taxes are determined as follows:

	2002	2001 (restated – note 1(l))
Future income tax assets:		
Losses carried forward	$ 4,214	$ 11,465
Restructuring and other reserves	21,293	27,660
Other	-	3,070
	25,507	42,195
Valuation allowance	-	-
	25,507	42,195
Future income tax liabilities:		
Property, plant and equipment	(46,948)	(44,858)
Other	(2,160)	-
	$ (23,601)	$ (2,663)
Current future income tax assets	$ 12,166	$ 18,830
Non-current future income tax assets (liabilities)	(35,767)	(21,493)
	$ (23,601)	$ (2,663)

The Company's effective income tax rate is determined as follows:

	2002	2001
Basic federal and provincial tax rate	42.6%	44.5%
Manufacturing and processing allowance	(5.2)	(5.2)
Large corporations tax	1.3	(1.7)
Other	(1.5)	(3.0)
	37.2%	34.6%

(Tabular amounts expressed in thousands of dollars,
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9. Income taxes (continued):

The Company's provision for income taxes (recovery) is determined as follows:

		2002		2001
Earnings (loss) before income taxes	$	61,320	$	(40,779)
Equity in earnings of investee companies		(4,206)		(2,794)
Non-deductible expenses and other		287		514
Accounting earnings (loss)	$	57,401	$	(43,059)
Income taxes (recovery) at 37.2% (2001 - 34.6%)	$	21,338	$	(14,895)

10. Commitments and contingencies:

(a) Operating leases:

The Company is obligated under various operating leases requiring minimum annual rental payments in each of the next five years as follows:

2003	$	9,500
2004		3,000
2005		2,500
2006		2,000
2007		2,000

(b) Contingent liability:

On March 21, 2002 and further adjusted on April 25, 2002, the US Department of Commerce ("USDOC") issued its final determination in the countervailing and antidumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% to be posted by cash deposits from the effective date of the Final Order (May 22, 2002 as discussed below). The USDOC's final determination in the antidumping investigation resulted in Company specific duty rates ranging from 2.18% to 12.44% on the six companies investigated and an all other rate of 8.43% for all other companies including this Company.

On May 16, 2002, the US International Trade Commission ("USITC") published its final written determination on injury and stated that Canadian softwood lumber threatens material injury to the US industry. As a result, effective from the Final Order date of May 22, 2002, cash deposits are required for shipments at the rates determined by the USDOC. All prior bonds or cash deposits posted prior to May 22, 2002 were refunded.

The Company has recorded $24,469,000 as a reduction of sales revenue for the period from May 22, 2002 to December 31, 2002 representing the combined final countervailing and antidumping duties of 27.22%.

The Company had accrued $8,860,000 for the period from August 17, 2001 to December 15, 2001 representing the preliminary USDOC countervailing duty rate of 19.31%, and $6,956,000 for the period from November 6, 2001 to May 6, 2002, representing the preliminary USDOC antidumping duty rate of 12.58%. In April 2002, the Company reversed these accruals, totaling $15,816,000 or $0.27 per share, to reflect the effective date of the Final Order. Of the amount reversed, $10,333,000 relating to fiscal 2001 sales was recorded as a non-recurring item. The remaining reversal of $5,483,000 related to 2002 and has been recorded as a credit to sales. Any further adjustments resulting from a change in the countervailing and antidumping duty rates will be made prospectively.

The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the US cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels.

(Tabular amounts expressed in thousands of dollars,
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10. Commitments and contingencies (continued):

(b) Contingent liability (continued):

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") categorically deny the US allegations and strongly disagree with the final countervailing and antidumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this US Trade dispute. Canadian Interests may appeal the decision of these administrative agencies to the appropriate courts, NAFTA panels and the WTO. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete.

(c) Other contingencies:

The Company is subject to a number of claims arising in the normal course of business in respect of which either an adequate provision has been made or for which no material liability is expected.

11. Net earnings (loss) per share:

Net earnings (loss) per share is calculated utilizing the treasury stock method approach for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	2002			2001		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings per share	$ 39,982	35,857	$ 1.12	$ (25,884)	34,589	$ (0.75)
Share options	-	153		-	-	
Diluted earnings per share	$ 39,982	36,010	$ 1.11	$ (25,884)	34,589	$ (0.75)

12. Pension plans:

The Company maintains pension benefit plans which include a defined contribution plan that is available to all salaried employees and a defined benefit plan that is available to hourly employees not covered by a union pension plan.

(a) For the defined contribution plan, the Company's contributions are based on a percentage of an employee's earnings with the employee's pension benefits based on these contributions along with investment earnings on the contributions. For the defined contribution plan, the Company's funding obligations are satisfied upon crediting contributions to an employee's account. For 2002, the pension expense for this plan is equal to the Company's contribution of $1,926,000 (2001 - $1,964,000).

(b) The defined benefit plan provides a pension based on years of service.

Information about the Company's defined benefit plan is as follows:

	2002	2001
Accrued benefit obligation:		
Beginning of year	$ 10,648	$ 9,950
Service cost	373	342
Interest cost on accrued benefit obligation	746	697
Benefit payments	(366)	(341)
End of year	11,401	10,648
Plan assets:		
Fair value, beginning of year	10,240	10,388
Actual return on plan assets	(675)	(413)
Contributions	373	606
Benefit payments	(366)	(341)
Fair value, end of year	9,572	10,240

(Tabular amounts expressed in thousands of dollars,
except number of shares and per share amounts)

12. Pension plans (continued):

(b) Defined benefit plan (continued):

Unfunded liability	1,829	408
Actuarial gain (loss)	(1,639)	(408)
Employee future benefits liability	190	-

The Company's net expense for the Company's defined benefit pension plan is as follows:

	2002	2001
Current service cost	$ 373	$ 342
Interest cost	746	697
Expected return on plan assets	(717)	(727)
	$ 402	$ 312

Actuarial assumptions used in accounting for the Company-maintained benefit plans are:

	2002	2001
Discount rate	7.0%	7.0%
Expected return on plan assets	7.0%	7.0%
Compensation increases	Not applicable	Not applicable

(c) Unionized employees of the Company and its subsidiaries are members of industry-wide benefit plans to which the Company contributes a predetermined amount per hour worked by an employee. For 2002, the pension expense for these plans is equal to the Company's contribution of $5,810,000 (2001 - $5,108,000).

(d) The Company has agreed to provide supplementary pension benefits to certain members of its senior management. A number of the commitments are for defined benefit amounts currently being paid to retired senior managers of the Company, and the remainder are in the form of a notional extension of the defined contribution plan. These commitments are not funded but are fully accrued by the Company. The amounts accrued are as follows:

	2002	2001
Accrual for defined contribution commitments	$ 772	$ 696
Accrual for defined benefit commitments	2,104	2,260

13. Related party transactions:

Lumber sales to an affiliate of a significant shareholder amounted to $5,377,000 (2001 - $3,414,000) and to an investee company, $3,789,000 (2001 - $1,735,000). Shipping services provided by an investee company totaled $20,178,000 (2001 - $14,202,000). These transactions were conducted on a normal commercial basis, including terms and prices.

(Tabular amounts expressed in thousands of dollars,
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14. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company harvests logs which are sorted by species, size and quality and then either manufactured into lumber products at the Company's sawmills, or sold. Substantially all operations are located in British Columbia, Canada.

The Company sells to both foreign and domestic markets as follows:

	2002	2001
Canada	$ 319,031	$ 284,050
United States	190,070	179,177
Japan	202,096	191,147
Other export	72,943	49,720
	$ 784,140	$ 704,094

Sales by product line are as follows:

	2002	2001
Lumber	$ 590,763	$ 512,144
Logs	137,602	135,836
Wood chips and other by products	31,041	30,160
Other	24,734	25,954
	$ 784,140	$ 704,094

15. Financial instruments:

(a) Fair value of financial instruments:

The fair value of the Company's long-term debt at December 31, 2002, including the portion due within one year, approximates its carrying value of $50,000,000 as the majority of the long-term debt bears interest at current market rates. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) Derivative financial instruments:

The Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counter parties as the counter parties are the Company's bankers.

As at December 31, 2002, the Company has outstanding obligations to sell a maximum of US$83,000,000 at an average rate of CDN$1.61 and Japanese ¥371,000,000 at an average rate of ¥76.45 to the CDN$ during 2003. Based on the exchange rates at December 31, 2002, the Company had unrealized gains of $1,333,000 with respect to these hedging arrangements. In addition, the Company has deferred $938,000 of foreign exchange gain resulting from the cancellation of existing contracts during 2002. This gain will be recognized in 2003.

There were no interest rate swaps outstanding as at December 31, 2002.

(c) Sale of receivables:

During 2000, the Company entered into an agreement to sell designated trade receivables, with limited recourse, to a Trust. As these trade receivables are collected, they are replaced by new receivables to maintain the aggregate outstanding balance. At December 31, 2002, the Company received cash proceeds of $20,000,000 (2001 - $25,000,000) from the sale.

INTERFOR

International Forest Products Limited

ANNUAL INFORMATION FORM

Dated as of March 1, 2003

DESCRIPTION OF THE BUSINESS

International Forest Products Limited is one of western Canada's largest logging and sawmilling companies producing a diversified range of quality wood products for sale to world markets. It harvests timber and manufactures and markets lumber products, logs, and wood chips. The Company has 37 logging operations and six sawmills in the southern coastal region of British Columbia and has one logging operation and one sawmill in the central interior region.

The Company was incorporated under the *Company Act* (British Columbia) on May 6, 1963. On December 1, 1979 the Company amalgamated with its subsidiary, Whonnock Forest Products Limited. On January 1, 1988 the Company changed its name from Whonnock Industries Limited to International Forest Products Limited. Its principal office as well as its registered and records offices are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

In this document, a reference to the "Company" or "Interfor" means International Forest Products Limited and its predecessors and all its subsidiaries. The four major subsidiaries, Primex Forest Products Ltd., Saltair Timber Products Ltd., Helifor Industries Limited and Interfor Japan Ltd., whose operations are described below, are wholly-owned and controlled by Interfor and incorporated under the laws of British Columbia.

HISTORY

Interfor's business originated in the 1930s with a sawmill in Whonnock, about 48 kilometers east of Vancouver. The mill utilized timber from logging operations in nearby forest areas. Since that time, the Company has made significant investments to expand and upgrade its production facilities and timber base and increase annual lumber capacity through the acquisition of companies with manufacturing plants and timber resources.

In 1971, the Company expanded geographically from the coastal region to the central interior of British Columbia by acquiring Holding Lumber Company Limited which owned and operated a sawmill in the central interior of British Columbia at Adams Lake near Kamloops. In 1976, Interfor acquired the Pacific Pine Division of Triangle Pacific Forest Products Ltd. in New Westminster.

In 1977, Sauder Industries Limited acquired a controlling interest in the Company (since transferred to Mountclair Investment Corporation, a Sauder family holding company). During the following two years Interfor acquired further sawmills and timber rights by the purchase of McDonald Cedar Products Ltd. and Bay Forest Products Ltd.

In November 1980, to increase future log supply and to diversify into pulp, Interfor participated equally with two other forest companies in organizing Western Forest Products Limited ("WFP") which acquired the British Columbia timber and manufacturing facilities of ITT Industries of Canada Limited. During 1981, Interfor purchased the sawmilling assets of Imp-Pac Lumber Ltd., which are now operated as MacKenzie Seizai.

In December 1983, the Company was required to close the Bay Forest Products sawmill to allow for development of the Expo '86 site in Vancouver. In March 1984, Interfor acquired from CIPA Industries Ltd. a sawmill (since renamed the Bay Lumber sawmill) at Pitt Meadows, 30 kilometres east of Vancouver. In the same transaction, Interfor acquired three coastal logging operations and related timber holdings.

During the period 1986 through 1989, Interfor implemented a $120 million capital expenditure program. This program was designed to lower manufacturing costs and to better utilize the supply of small logs from its timber base. It included the construction of a Linck system at Western Whitewood and significant modifications to the Bay Lumber sawmill and the McDonald Cedar sawmill.

In 1989, the Company disposed of its interest in WFP, including its leasehold interest in the Silvertree sawmill.

In December 1991, Interfor acquired from Fletcher Challenge Canada Limited and Crown Forest Industries Limited substantial timber tenures and cutting rights, a sawmill and a planer mill at Coquitlam, British Columbia and a cedar sawmill and planer mills at Maple Ridge, British Columbia together with 20 logging operations.

In December 1992, Interfor closed the Pioneer Lumber sawmill as a result of a reduction to the Company's annual cutting rights.

In February 1995, Interfor acquired from Weldwood of Canada Limited timber tenures and related logging operations representing approximately 976,000 cubic metres of annual cutting rights, a sawmill and planer mill at Squamish, British Columbia and a cedar sawmill and planer mills at Port Moody, British Columbia.

During 1996, the large log cedar sawmill acquired from Weldwood was replaced with a small log cedar sawmill and the Bay Lumber Sawmill was permanently closed.

During October 1997, the McDonald Cedar Sawmill was closed. A Western Red Cedar value-added plant, McDonald Reman, was constructed on the site during 1998.

In June 1998, the Company began a restructuring program which included aggressive cost cutting measures through simplifying and streamlining the Company's logging and sawmilling operations and administrative procedures. It also involved rationalizing the Company's production capacity to correspond with its timber supply and markets. As a result, the Flavelle sawmill was sold and several other mills experienced changes in the roles they were assigned including the products they produced.

In May 2001, the Company acquired 96% of the shares of Primex Forest Products Ltd. through a public offering and in July acquired the remaining outstanding shares. To finance the acquisition, Interfor issued 3,783,454 Class "A" subordinate voting shares with a fair value of $16,080,000 and incurred debt of $98,389,000. The operations of Primex include two efficient sawmills, two remanufacturing facilities and a 49% interest in a secondary manufacturing company. In October 2001, the sawmill operations of Fraser Mills were permanently closed but the remanufacturing facilities continued to process lumber for other Interfor sawmills.

In 2002, the Company continued to benefit from its cost-cutting measures and increased production by reducing cash manufacturing unit costs by 10% and unit logging cost by 4% despite an increase of 42% in stumpage costs. In November 2002, the business and operating equipment of McDonald Reman was relocated to Sumas Washington operating as CEDARPRIME Inc.

In 2003, the Company faces uncertainty as the US softwood lumber action continues and as the Government of B.C. proposes changes to its forest policy and stumpage system. See Management Discussion and Analysis beginning on page 11.

Interfor's expansion since 1970 has increased its annual lumber production capacity from approximately 65 million board feet to approximately 900 million board feet and increased its average annual timber harvest from approximately 300,000 cubic metres to over 3.2 million cubic metres.

TIMBER AND LOGGING

Timber Supply

The Province of British Columbia owns 95% of all timber lands in the Province and regulates forestry operations on these lands under the Forest Act and the Forest Practices Code. The Forest Act empowers the Minister of Forests to grant timber tenures including Forest Licences, Tree Farm Licences, and Timber Licences.

A Forest Licence grants the right to cut a specific volume of timber on public lands in a managed forest area called a Timber Supply Area. A Forest Licence has a term not exceeding 20 years (usually 15 years) and is renewable every five years for a 15 year term subject to satisfactory performance by the licensee of its cutting and reforestation obligations as determined by the Ministry of Forests.

A Tree Farm Licence is granted to a licensee that undertakes to manage an area of timber land to yield an annual harvest on a sustainable basis. A Tree Farm Licence is granted for a term of 25 years and is renewable every five years for those whose term commenced after July 1, 1993 and for ten years for those whose term commenced before July 1, 1993 for a further 25 year term subject to satisfactory performance by the licensee of its cutting and reforestation obligations as determined by the Ministry of Forests.

A Timber Licence grants the licensee the right to cut merchantable timber from a prescribed area of Crown Land over a specified term and is not renewable but may be extended by the Minister of Forests. The term of each Timber Licence was negotiated between the Ministry of Forests and the licensee and was designed to allow sufficient time for the orderly harvesting of the merchantable timber on the Timber Licence. The Ministry may extend the terms of existing Timber Licences if they consider that forest management would be improved by doing so.

Under Tree Farm Licences and Forest Licences an allowable annual cut ("AAC") is determined by the Ministry of Forests. The cut in any one year may vary up to 50% above or below the AAC, as long as the average annual cut over a five-year period is within 10% of the specified AAC for that period.

The Forest Act requires, with limited exceptions, that the British Columbia Minister of Forests' prior written consent be obtained for a change in control of a company that holds a Crown granted forest tenure. If the Minister determines that there has been a failure to obtain the Minister's prior written consent to a change of control, the Minister may cancel the forest tenures. Subject to limited exceptions, if the Minister gives his consent to a change of control, the AAC for replaceable Forest Licences and Tree Farm Licences is reduced by five percent and, in the case of Timber Licences, a payment equal to five percent of the current appraised value of the timber must be paid to the Crown. Control of a corporation means the ability to elect 50% or more of the directors or otherwise effectively control the operations of the corporation.

In the coastal region, Interfor holds four Tree Farm Licences and ten renewable Forest Licences in eight Timber Supply Areas authorizing it to harvest 2,889,000 cubic metres of Crown timber each year. Additionally, Interfor holds the cutting rights on coastal Timber Licences on which it intends to cut approximately 70,000 cubic metres of timber in 2003. Since the annual volume from these tenures is unregulated, it provides the Company with the flexibility to schedule its harvesting based on log markets, thus allowing the maximization of its value.

In the interior region, Interfor holds one renewable Forest Licence authorizing it to harvest 250,000 cubic metres of Crown timber each year. Commencing in 2003, for a period of five years, the available cut will be increased by 15,000 cubic metres per year in recognition of the uplift from the recently approved Innovative Forest Practices Agreement. In addition, Interfor holds one Timber Licence under which it intends to cut approximately 10,000 cubic metres of logs per year for the next five years.

The log requirements of Interfor's coastal mills are met using logs harvested from its timber tenures, by long term trade and purchase agreements, and by purchases on the open market. Logs produced but unsuitable for use in Interfor's mills are either traded for suitable logs or sold on the open market. Operating at normal capacity, the required minimum proportion of logs purchased on the open market is approximately 45% of coastal log consumption.

Interfor's cutting rights in the interior region provide approximately 40% of its interior mill requirements. Additional mill requirements are purchased from private landowners, Small Business Licencees and other forest products companies.

Interfor's long-term coastal timber supply consists of a species mix of approximately 58% hemlock-balsam, 26% western red cedar, 9% Douglas fir, 3% spruce, and 4% cypress. A majority of its logs harvested in the coastal region are derived from old growth timber stands. Over the next several decades there will be a gradual shift from harvesting old growth to second growth forests.

In the interior, Interfor's long-term timber supply consists of a species mix of approximately 5% hemlock, 12% western red cedar, 33% Douglas fir, and 50% SPF (spruce- pine-fir).

The following tables show Interfor's AAC under its Forest and Tree Farm Licences and other cutting rights and the volume of timber harvested under Interfor's Forest and Timber Licences and other cutting rights in each region for the periods specified. They also show the volume of purchases, sales, and consumption during that period.

	Years ended December 31					
	2003	2002	2001	2000	1999	1998
	(thousands of cubic metres)					
Annual Allowable Cut (1)						
— Forest Licences	2,603	2,782	2,782	2,811	2,845	2,845
— Tree Farm Licences	551	563	666	666	666	666
— Discretionary Annual Harvest Levels (2)	80	80	187	180	180	180
	3,234	3,425	3,635	3,657	3,691	3,691
Actual Cut						
Coast						
— Forest Licences		2,179	1,996	2,404	2,289	1,999
— Tree Farm Licences		444	474	538	611	360
— Timber Licences & other cutting rights (2)		15	34	192	307	105
		2,638	2,504	3,134	3,207	2,464
Interior						
— Forest Licence		266	229	252	231	276
— Timber Licences (2)		7	27	21	11	78
		273	256	273	242	354
Total Actual Cut		2,911	2,760	3,407	3,449	2,818
Purchases		2,035	1,893	1,093	950	586
		4,946	4,653	4,500	4,399	3,404
Log Utilization						
— Consumption		3,400	2,919	2,729	2,469	2,394
— Logs Chipped		5	17	20	31	58
— Sales		1,375	1,581	1,803	1,992	1,506
Total		4,780	4,517	4,552	4,492	3,958

(1) AAC includes a provision for non-recoverable fibre.
(2) Volumes not included in Annual Allowable Cut.

Stumpage

A stumpage charge is assessed by the British Columbia Government on all Crown timber harvested. The amount of stumpage paid on Forest License, Tree Farm License and Timber License tenures is based on a target rate set by the Government and adjusted on a periodic basis. Individual stumpage rates are calculated for each cutting permit taking into consideration various factors such as species, site and operating costs.

Stumpage and royalty payments in relation to profitability is shown below for the periods specified.

	Years ended December 31				
	2002	2001	2000	1999	1998
	(thousands of dollars)				
Earnings (loss) before stumpage and income taxes	$111,635	$(8.025)	$82,371	$ (14,327)	$(42,085)
Stumpage and royalty payments	50,315	32,754	28,953	35,857	47,575
Earnings (loss) before income taxes	61,320	(40,779)	53,416	(50,184)	(89,660)
Income tax provision (recovery)	21,338	(14,895)	22,742	(19,425)	(36,486)
Net earnings (loss)	$39,982	$(25,884)	$ 30,676	$(30,759)	$(53,174)

Forest Management

Interfor is responsible for managing forest resources under license in accordance with the requirements of all governmental laws and regulations. The Company operates in compliance with the Forest Practices Code which is a comprehensive set of government legislation that governs all facets of forestry activities.

The sustainable management of forestry resources within the Company's tenures is guided by a team of qualified staff including Registered Professional Foresters, Technologists and technicians. Interfor's personnel are engaged in activities such as resource planning and development, harvesting, reforestation, forest protection, and certification.

Interfor recognizes that it must constantly develop new and innovative ways of conducting forestry to meet the changing expectations of society. The Company has developed an Environment Management System to govern and continually improve the sustainable management of its forest resources.

Allowable Annual Cut

The harvest rate on crown land is regulated by Government with an Allowable Annual Cut (AAC) set by the provincial Chief Forester. The Ministry of Forests conducts Timber Supply Reviews on a continuing basis to determine harvest levels for each Timber Supply Area and Tree Farm Licence. Various factors can influence either an increase or decrease in the AAC.

Timber Supply Reviews prior to 2002 have resulted in a cumulative loss of over 700,000 cubic metres of AAC, since 1991. In 2002, the Company's AAC was reduced by 64,987 cubic metres as a result of timber supply reviews. The AAC was further reduced temporarily by 131,279 cubic metres pending the outcome of Government land use decisions.

Logging Operations

Interfor and its logging contractors employ approximately 1,600 people in 35 logging operations, each operating in one or more locations in the coastal region of British Columbia. Its coastal operations extend from Hope, 165 kilometres east of Vancouver, to Prince Rupert, 850 kilometres northwest of Vancouver. Approximately 50% of the logs harvested under Interfor's annual cutting rights are produced by Company-operated conventional and helicopter logging camps and the balance is produced by independent contractors operating under Interfor's direction.

Interfor's coastal logging operations are grouped into five decentralized business units. These separate business units are able to relate more effectively with the specific requirements of the various geographic regions as well as the needs of the surrounding communities including aboriginal groups.

During the past 20 years, Interfor has made important contributions to the development of helicopter logging techniques to harvest trees from locations that are otherwise economically or environmentally inaccessible. Heli-logging can eliminate the need for extensive road building and reduce the ground disturbance in sensitive areas. In 2002, heli-logging by Interfor's subsidiary, Helifor Industries Limited accounted for approximately 25% of the harvest from Interfor's coastal operations. Helifor also provides contract-logging services to other forest products companies and heavy lift services to other resource companies.

In order to maximize the value of the log supply in its coastal operations, the Company directs its logs to the most suitable sawmill based on factors that include size, species, and quality. This is accomplished by towing logs in booms or on specially designed self-loading and self-dumping barges. Interfor buys, sells, or trades logs to more closely match its mills' requirements.

Interfor's harvesting includes the production of pulp logs, which are generally those logs unsuitable for lumber manufacturing. The Company arranges sales of pulp logs in addition to sales of wood chips manufactured by its sawmills to pulp producers in exchange for sawlogs.

In the central interior region of British Columbia, Interfor's logging operation is located in the vicinity of Adams Lake near the Company's interior sawmill approximately 80 kilometres north-east of Kamloops. Logging operations in the interior are supervised by Company personnel but are conducted entirely through logging contractors employing approximately 100 people.

During the past five years, Interfor has spent a total of $140 million on roads, bridges, log sorting areas, logging equipment, and timber purchases. These expenditures were made principally in the coastal region to access timber and improve timber harvesting efficiency and flexibility.

Log Sales

In order to obtain the appropriate species, size, and grade of log to best suit market conditions and a particular mill's cutting capability, the Company must sell logs that are in excess of or unsuitable for its manufacturing requirements. The value of log sales for the past five years is shown in the sales table under "Sales and Marketing".

MANUFACTURING

Interfor operates four manufacturing business units consisting of seven sawmills and six remanufacturing facilities. These business units are each headed by a Vice President or senior manager who interfaces with and is guided by corporate policies and guidelines, particularly with respect to log allocation, marketing and sales activities and corporate culture.

Interfor produces a wide range of products from specialty products through to commodity structural lumber. The mills are capable of cutting logs ranging in diameter from 4 inches to 84 inches (10 centimetres to 210 centimetres). Many of the Company's manufacturing facilities have recently been upgraded and modified to improve the matching of timber resources with customers' lumber requirements.

In 2001, Interfor expanded and strengthened its manufacturing base through the acquisition of Primex Forest Products Ltd. This acquisition added two modern coastal sawmills and two remanufacturing operations which, together with Western Whitewood, form the basis of Interfor's Structural Whitewood Group.

Rated capacity and production of lumber, by mill, for each of the periods specified, is set out in the following table:

Sawmills	Normal Number of Shifts	Present Rated Capacity (1)	Years ended December 31				
			2002	2001 (MMfbm)	2000	1999	1998
Cedar							
Hammond Cedar	2	160	153	134	146	139	123
Squamish Lumber (2)	2	100	63	72	89	32	25
Structural Whitewood							
Acorn (3)	3	180	182	103	—	—	—
Field (3)	2	140	107	56	—	—	—
Western Whitewood	1.5	110	71	73	83	102	83
Industrial Whitewood							
MacKenzie Seizai (4)	1.5	50	47	37	34	35	36
Interior							
Adams Lake Lumber	2	160	160	133	137	131	107
Sawmills Sold or Closed							
Fraser Mills (5)		—	—	58	143	126	130
Flavelle Cedar (6)		—	—	—	—	—	47
Total		900	783	666	632	565	551

(1) Based on the normal number of shifts per day and 250 operating days.
(2) The sawmill was temporarily closed in June 1998. It resumed operations on one shift in July 1999 and two shifts in October 1999.
(3) Acorn and Field were acquired as part of the acquisition of Primex Forest Products Ltd. on May 1, 2001.
(4) Volumes include custom-cutting. See "MacKenzie Seizai".
(5) The sawmill was permanently closed October 2001. The planer and dry kilns remain in operation. See "Remanufacturing".
(6) The sawmill was temporarily closed in September 1998 and sold in January 2000.

Cedar Group

Hammond Cedar

Hammond is a western red cedar manufacturing facility located on the Fraser River at Maple Ridge, British Columbia. The facility consists of a three-line sawmill, dry kilns, and two planermills. The mill had been completely rebuilt by the previous owner prior to its acquisition in 1991. During 1998 and 2001, five new dry kilns were constructed at a total cost of $8 million. In 2002, the Company completed a $5 million capital project that reduced costs and increased product value by optimizing trimming and improving the mill flow. Included in the Hammond business is the Albion value added centre, which provides additional remanufacturing for a portion of Hammond's siding and panel product mix. The Company directs the majority of Hammond's production to North American markets.

Squamish Lumber

The Squamish mill consists of a sawmill and a planer mill located in Squamish, British Columbia at the head of Howe Sound, approximately 75 kilometres north of Vancouver. The mill was acquired by Interfor in 1995. In June 1998, operations were curtailed for 13 months because of difficult market conditions. The mill reopened in July 1999 after operating efficiencies were made which resulted from a cooperative process involving the employees, the Community of Squamish and the Provincial Government. During 2001, the Company invested in new optimization systems and in modifications to streamline mill flow. The capital additions improved cost effectiveness on Douglas fir products for Japan while allowing for a shift in primary business focus to the production of western red cedar products for North American markets.

Structural Whitewood Group

Acorn Forest Products

The Acorn operation is located on leased land in Delta, British Columbia. The facility consists of a log dewatering and merchandising system, a sawmill, a planer mill and dry-kilns. The sawmill was completely rebuilt in 1989 and has undergone a number of capital improvements since that time. In 2001, capital projects totaling $13.5 million were completed upgrading the mill's log processing, lumber sorting and optimized trimming capability. To better meet customer needs, the Company also constructed, at a cost of $4.5 million, four dry-kilns which utilize advanced vacuum-drying technology. The sawmill specializes in sizes and grades of lumber for use in Japanese traditional housing made primarily from hemlock and Douglas fir logs.

Field Sawmills

The Field operation is a sawmill located on Vancouver Island in Courtenay, British Columbia. In 2001, a $13.8 million capital program was completed to add a log processing facility and an automated lumber sorting system to the sawmill. In 2002, further capital, and non-capital improvements resulted in a capacity increase of 30%. Additional processing is performed at the Saltair remanufacturing facility located in Chemainus, British Columbia. The mill uses hemlock and Douglas fir logs to produce structural lumber, primarily for the Japanese traditional housing market.

Western Whitewood

Western Whitewood is located on the north arm of the Fraser River in New Westminster, British Columbia. It is a high capacity small-log sawmill designed to manufacture lumber to offshore specifications. In 1994 construction was completed on dry kilns and reprocessing facilities enabling the Company to manufacture more kiln dried value-added products. In 1996 a third kiln was added providing drying capacity for 60% of the mill's production.

Industrial Whitewood Operations

MacKenzie Seizai

Located on the south bank of the Fraser River in Surrey, British Columbia, the MacKenzie operation consists of a log yard and a single line headrig sawmill. The log yard merchandizes large high grade and appearance grade logs in hemlock, balsam, Douglas fir and Sitka spruce. Logs from the log yard are sorted for specified end uses and

customers. Certain logs which are best suited for products which cannot be produced efficiently at MacKenzie are custom cut at third party mills under the direction of MacKenzie's management. Logs surplus to current lumber programs are either sold to customers who custom cut the logs at MacKenzie or are sold through the local log market. More than 70% of the lumber produced in 2002 was sold into the North American market, primarily in Canada. The majority of lumber products produced at Mackenzie are targeted for further manufacturing into specialty end uses such as doors, windows, mouldings and architectural framing. Reductions in internally produced timber, including the grades and sizes suitable for this mill, resulted in a one-shift operation since February 1997. As a result, the volume of production was reduced, but the quality and value of production has increased. In 2002, improved competitiveness in the mill enabled the Company to expand its log purchases and increase production to one and one-half shifts since September.

Interior Operations

Adams Lake Lumber

Adams Lake Lumber is Interfor's interior sawmill and is located on Adams Lake near Kamloops, British Columbia. Similar to other interior mill operations, the mill manufactures kiln-dried lumber for the United States and Canadian construction markets as well as for offshore markets. Adams Lake Lumber has the capability to cut Douglas fir as well as spruce-pine-fir, western red cedar, and hemlock. In 2000, the Company completed a $4.5 million upgrade to improve the range of products that could be offered to its customers. The upgrade included the ability to produce machine stress rated products, increase the capacity and quality of kiln-drying and other projects which improved product optimization and reduced costs. In 2001, the Company completed a $2.7 million project to install an optimized edger. Capital and non-capital improvements have resulted in a 50% increase in production over a four year period.

REMANUFACTURING

Most of Interfor's sawmills have some capability to process lumber beyond the primary stage. In order to add further value to the Company's lumber products, Interfor has been increasing its involvement in remanufacturing in three ways:

- By selling rough lumber to independent remanufacturers.
- By custom remanufacturing lumber in facilities owned by independent remanufacturers.
- By expanding its own remanufacturing capabilities through recent additions including Primex's Specialty Products Division and Saltair Timber Products Ltd. and the formation of the Fraser Reman facility.

Cedar Remanufacturing Group

McDonald Reman

The McDonald Reman plant in Fort Langley was permanently closed in October, 2002. The operating equipment and business was transferred to CEDARPRIME Inc.

CEDARPRIME Inc.

CEDARPRIME Inc. is located on leased premises in Sumas Washington approximately one kilometre south of the Canada/U.S. border. CEDARPRIME Inc. assumed the business of McDonald Reman and began operations in January, 2003. The plant has a moulding line, chop line, planing and finger-jointing equipment as well as access to on-site dry kilns enabling it to produce 20 million board feet of finger-jointed cedar bevelled siding for the U.S. Market.

Albion Process Centre

The Albion facility operates on leased lands located 7 kilometres from Hammond. The plant processes high value finished siding and decking products. The facilities include a moulder, a resaw, five chop-saws and sorting equipment to process 12 million board feet of kiln-dried products per year.

Structural Whitewood Remanufacturing

Fraser Reman

The Fraser Mills sawmill, located on the north bank of the Fraser River at Coquitlam, British Columbia, was permanently closed in October 2001. In 2001, the Fraser Reman operation was established on the site and the construction of five new steam kilns was completed at a cost of $4.9 million. These kilns together with the existing kilns and the planermill continue to operate and process lumber for Interfor's other primary mills as well as contracting to process lumber for external customers.

Saltair Timber Products Ltd.

Saltair Timber Products is located in Chemainus, British Columbia. Its facilities include dry kilns, re-sawing and other processing equipment for adding value to the lumber produced at Field Sawmills. The plant has an annual capacity of 40 million board feet of kiln dried lumber. Primex previously owned 49% of Saltair but increased its ownership to 100% in June 2001. In 2002, improvements in the operations of the dry kilns enabled the plant to double its kiln throughput.

Specialty Products Division

Specialty Products is located on leased land in Delta, British Columbia. Its facilities include dry kilns and lumber remanufacturing equipment enabling it to process 15 million board feet of kiln-dried lumber per year. Nearly all of the lumber processed at Specialty Products is produced by other Interfor sawmills located nearby in the greater Vancouver area. The plant operated on a very limited basis in 2002.

Westminster Wood Products Ltd.

Westminster Wood Products operated on a very limited basis in 2002. The plant was sold in January, 2003.

SALES AND MARKETING

The difficult terrain, higher road and other capital costs and higher stumpage charges result in higher log costs for coastal mills compared to interior mills. In addition, the facilities of coastal mills are primarily directed to the handling of logs which result in higher sawmilling costs. However, British Columbia coastal softwood timber is characterized by large, high quality logs in a variety of species which yield a higher percentage of clear and appearance grade lumber than do interior logs. The prices obtained for the premium grades of coast lumber compensate in part for higher logging and sawmilling costs. On average, coastal mills have average selling prices of more than $300 per thousand board feet higher than interior mills. Accordingly, a continuing priority for Interfor is to develop products and markets that more fully realize the potential for higher grades, special dimensions and value added items. As part of this initiative, Interfor has increased its kiln drying capacity in the interior region to 90% of its lumber production and to 35% in the coastal region.

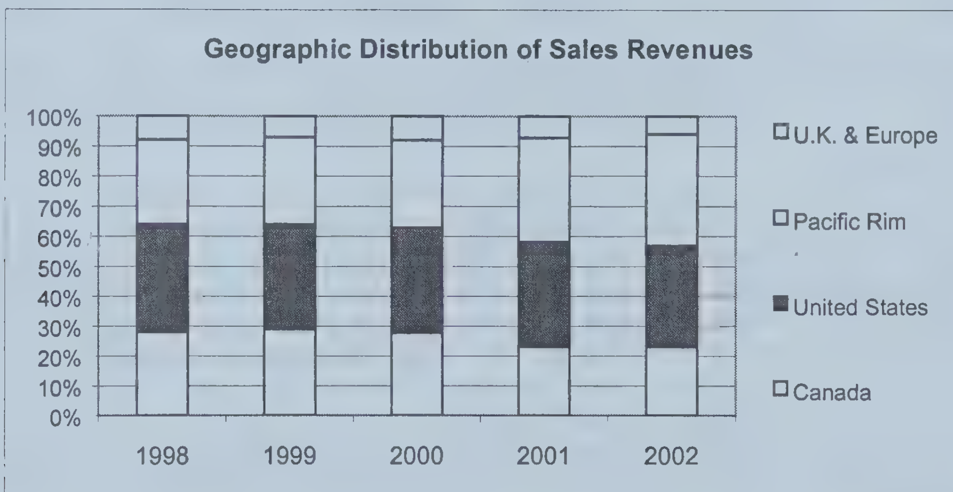
Lumber is similar to many other commodities in that demand is cyclical. Factors such as interest rates, exchange rates, freight rates, government tariff and import policies, and demand for housing affect the demand for lumber. In recent years, the residential repair and remodelling market in North America has become almost as large a lumber consumer as new housing and has lessened the impact of fluctuations in new housing starts. In order to further lessen the impact of rapid cyclical changes in any one market, Interfor maintains the policy of worldwide market and product diversification. Each of the mills has a particular customer and product base in various countries which provides Interfor with a diversified sales profile resulting in less dependency upon United States markets than most other major Canadian producers.

Lumber Sales and Marketing activities are combined into Western Red Cedar, Structural Whitewood, Industrial (appearance grade) Whitewood and Interior Groups. Interfor's Tokyo office, Interfor Japan Ltd., has developed niche markets and has increased sales directly to end users. While the major market for Interfor's cedar lumber continues to be North America, gains have been made in diversifying into offshore markets in Europe, Japan and Australia.

The following table shows Interfor's lumber sales by geographic area and total sales by product line for the past five years:

	Years ended December 31				
	2002	2001	2000	1999	1998
	(thousands of dollars)				
Lumber					
— Domestic	$127,357	$112,755	$137,333	$122,583	$110,837
— U.S.A	189,123	171,913	173,556	147,105	143,018
— Other export	242,830	207,398	186,276	158,802	152,897
	559,310	492,066	497,165	428,490	406,752
Offshore transportation and handling	31,453	20,078	20,524	17,648	18,719
Logs	137,602	135,836	168,532	168,693	130,807
Wood chips and other by-products	31,041	30,160	39,363	24,214	22,729
Contract services and other	24,734	25,954	20,033	22,015	18,087
Total sales	$784,140	$704,094	$745,617	$661,060	$597,094

The following graph shows the percentage of Interfor's lumber sales revenue to its major markets in the past five years.



Wood Chip and Sawmill Residuals Sales

At normal capacity Interfor produces approximately 600,000 volumetric units of wood chips per year in its sawmill operations. In 2002, operating the sawmills below capacity reduced chip shipments to approximately 525,000 volumetric units for the year. Essentially all of the Company's wood chips are sold under contracts to pulp producers in B.C. with terms varying from 1 to 25 years, with some contracts perpetually renewable by the pulp producer. Most of Interfor's wood chips are sold at prices related to current Northern Bleached Softwood Kraft (NBSK) pulp prices, while the balance is sold at current prices.

Interfor supplies chips and sawmill residuals as well as pulp logs to assignees of the previous owners of the Hammond and Fraser Mills operations under one of its long-term agreements. The agreement provides for specified target volumes as well as minimum and maximum volumes of pulp fibre to be supplied by Interfor. These volumes are adjustable as Interfor's harvest level changes in the future. Pulp logs and sawmill residuals are sold at market prices, while wood chips are sold at a formula price tied to NBSK pulp prices.

CAPITAL EXPENDITURES

The Company made capital expenditures, including acquisitions, on sawmill and logging operations and timber holdings as shown in the following table:

	Years ended December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
	(thousands of dollars)				
Acquisitions					
Land, buildings, equipment					
— Manufacturing	—	$85,909	—	—	—
— Forestry and logging	—	—	—	—	—
Logging roads and timber	—	—	—	—	—
	—	$85,909	—	—	—
Other capital expenditures					
Land, buildings, equipment					
— Manufacturing and other	$14,801	$21,386	$15,041	$4,493	$9,454
— Forestry and logging	2,266	13	7,338	2,147	2,543
Logging roads and timber	24,028	19,866	30,253	24,792	26,733
	41,093	41,265	52,632	31,432	38,730
Total	**$41,093**	**$127,174**	**$52,632**	**$31,432**	**$ 38,730**

The capital expenditures of the Company during the five years ended December 31, 2002 were financed through internally generated funds and through the Company's bank lines.

HUMAN RESOURCES

Interfor employs on average approximately 3,200 people including approximately 1,000 people through logging contractors operating under its direction. Interfor is a member of Forest Industrial Relations, an association which represents most of the forestry companies in coastal British Columbia in their negotiations with IWA-Canada ("IWA"). The IWA is the certified bargaining agent for approximately 2,100 people engaged in Interfor's logging and manufacturing operations in the coastal region. The current labour agreement with the IWA will expire June 14, 2003.

During 2002, there were no shifts lost due to labour disputes in Interfor's sawmill operations. On average over the previous five years, less than one percent of the total planned shifts of Interfor's sawmill operations were lost due to labour disputes.

THE ENVIRONMENT

In late 1994 an Environment Committee of the Board of Directors was formed and in early 1995 an Environmental Policy was approved by the Board. During 1999 the role of the Environment Committee was re-evaluated and reaffirmed with respect to the environment. At that time, the Committee also assumed additional responsibility for health and safety issues. A new Environment Policy was approved by the Board on July 21, 1999, and reconfirmed on July 17, 2001, as follows:

Environment Policy

International Forest Products Limited is committed to responsible stewardship of the environment.

- We will minimize environmental impact, prevent pollution and strive for continuous improvement of our environmental performance.
- We will operate in compliance with all applicable laws pertaining to the environment.
- We will regularly review our practices and procedures to monitor and report on environmental performance.
- We will provide training for employees and contractors in environmentally responsible work practices.
- We will manage our forest resources in a sustainable manner that is environmentally appropriate, socially beneficial and economically viable.
- We will promote the use of our wood products as a good choice for the environment.

Upon the formation of the Environment Committee in 1994 the Board directed the management of the Company to implement an environmental compliance program and to ensure that there are regular, documented reports to verify its effectiveness.

Interfor was the recipient of the Millennium Business award for Environmental Achievement presented by the United Nations Environmental Programme and the International Chamber of Commerce in May 2000.

Forestry and Logging

Interfor has developed an Environmental Management System ("EMS") that covers all of its managed forest lands. The Company's EMS has been independently certified to meet International Organization for Standards environmental requirements, ISO 14001. Interfor's Coastal Woodlands were first certified in 1999, and then subsequently renewed in 2002 following an extensive external audit. The Company's Interior Woodlands were ISO 14001 certified in 2000, and are up for renewal in 2003.

During 2001, Interfor's forestlands became independently certified by the Sustainable Forestry Initiative (SFI^{SM}) of the American Forest and Paper Association. The SFI program is a rigorous system of environmental and conservation practices that covers a wide range of forestry, wildlife, water quality, and biodiversity values. Interfor was the first Company operating on public land in British Columbia to achieve third party verification of this work.

Interfor's harvesting plans are subject to review by the relevant Federal and Provincial Government Ministries. Certain plans must be approved by Government authority before any activities can proceed. Governments also have a fiduciary responsibility to consult with aboriginal peoples with respect to forest activities that may infringe upon aboriginal rights. Interfor works with Government and First Nations groups in providing opportunity for review and comment of its proposed forest activities.

Interfor is a leader in using environmentally sound helicopter logging techniques, annually logging up to one-third of its total harvest with helicopters. While helicopter logging can be more expensive than conventional logging techniques, it reduces the impact on the environment by eliminating the need for extensive logging roads and providing access to timber that would otherwise be inaccessible using conventional logging techniques. Interfor owns and operates one of the largest helicopter logging operations in Canada.

Over the past few years Interfor has successfully introduced new variable retention harvesting methods throughout portions of its operations. This method in which part of the forest is left standing (either in groups of trees or dispersed individual trees) is an alternative to clear cut logging. During 2002, Interfor applied variable retention methods to approximately 50 % of its areas harvested.

Manufacturing

During 2001, three of Interfor's sawmills applied for and were granted certification to the ISO 14001 environmental standard.

Interfor maintains an Environmental Management System (EMS) for all of its manufacturing facilities. The Company's EMS includes such items as environmental audits, regular monitoring, emergency response, personnel training and compliance tracking.

The Company has retained an independent environmental consulting firm, Envirochem Consultants Ltd., to help ensure appropriate environmental standards are attained at the manufacturing sites. Ongoing independent audits provide a scoring system to rate relative environmental performance for each operation and to guide continual improvement.

In addition, Interfor's manufacturing facilities have obtained a Chain of Custody Certificate for its system that tracks certified logs through the manufacturing process.

RESEARCH AND DEVELOPMENT

The Company contributes to and participates in industry research organizations that have made numerous technical developments beneficial to the Company in areas such as sawing technology, drying techniques, and anti-sapstain applications. Interfor also is committed to applied research and development in the areas of health and

safety, forest management and product and market development.

SHARE CAPITAL

The authorized share capital of the Company consists of 100,000,000 class "A" Subordinate Voting shares without par value ("Subordinate Voting Shares"), 1,700,000 class "B" Multiple Voting shares without par value ("Multiple Voting Shares") and 5,000,000 Preference shares without par value issuable in series with such special rights and restrictions as the Directors of the Company may determine before issue thereof. The Subordinate Voting Shares and Multiple Voting Shares are referred to as "Equity Shares".

Subordinate Voting Shares

The holders of Subordinate Voting Shares are entitled to non-cumulative preferential dividends of 13 1/3 cents per annum for each share in priority to any dividends paid on the Multiple Voting Shares and to further participate, share for share with the Multiple Voting Shares, in any dividends paid on the Subordinate Voting Shares and Multiple Voting Shares for any fiscal year after 13 1/3 cents per share has been paid or set aside for payment on the Subordinate Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote for each share and the holders of the Subordinate Voting Shares are entitled, as a class, to elect one member of the Board of Directors and if there are no Multiple Voting Shares outstanding, are entitled to elect the entire Board of Directors except in certain circumstances where the holders of Preference shares are entitled to elect two Directors.

The provisions relating to the Subordinate Voting Shares may not be varied unless sanctioned by a special resolution of the holders of the Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of liquidation, dissolution or winding-up of the Company or any other distribution of its assets, holders of Subordinate Voting Shares are entitled to declared and unpaid dividends prior to the holders of the Multiple Voting Shares and thereafter to participate, share for share, with the Multiple Voting Shares, subject to all rights of the holders of Preference shares.

Multiple Voting Shares

The holders of Multiple Voting Shares are entitled to participate, share for share, with the Subordinate Voting Shares, in any dividends paid for any fiscal year after 13 1/3 cents has been provided for payment on the Subordinate Voting Shares. The holders of Multiple Voting Shares are entitled to ten votes for each share held and the holders of Multiple Voting Shares are entitled, as a class, to elect all members of the Board of Directors except one member to be elected by the holders of the Subordinate Voting Shares and, in certain circumstances, two directors to be elected by the holders of Preference shares.

In the event of liquidation, dissolution, or winding-up of the Company or any distribution of its assets, holders of Multiple Voting Shares are entitled after payment of any declared and unpaid dividends on the Subordinate Voting Shares to participate, share for share, with the Subordinate Voting Shares, subject to all rights of the holders of Preference shares.

Any holder of Multiple Voting Shares is entitled at any time to exchange his Multiple Voting Shares for Subordinate Voting Shares on a share for share basis without adjustment for any unpaid dividends.

The provisions relating to the Multiple Voting Shares may not be varied unless sanctioned by a special resolution of the holders of the Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of any subdivision, consolidation, or conversion of either Subordinate Voting Shares or Multiple Voting Shares, an appropriate adjustment is to be made in the rights and conditions attaching to the Subordinate Voting Shares and the Multiple Voting Shares to preserve the benefits conferred on the holders of each class.

Rights on Take-Over Bids and Conversion of Multiple Voting Shares

Any transfer of a Multiple Voting Share:

(a) by any of W.L. Sauder, members of his immediate family, their descendants and holding companies (collectively the "Controlling Shareholder Group") to any person other than another member of the Controlling Shareholder Group or a person (the "Qualified Purchaser") who is acquiring a majority of the outstanding Multiple Voting Shares and who makes an offer to purchase all outstanding Subordinate Voting Shares, Convertible Preference Shares, and Multiple Voting Shares at an equivalent price; or

(b) by a Qualified Purchaser to any person other than another Qualified Purchaser,

will result in the automatic conversion of the share into a Subordinate Voting Share.

The Multiple Voting Shares will be automatically converted into Subordinate Voting Shares if:

(a) the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own more than 50% of the issued and outstanding Multiple Voting Shares; or

(b) the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own Equity Shares carrying at least 9.2 million votes, subject to adjustments upon: (i) the subdivision, consolidation, or reclassification of any outstanding Equity Shares, or (ii) the issue of Equity Shares by way of a stock dividend other than an ordinary course stock dividend.

Preference Shares

The Preference shares of each series rank on a parity with the Preference shares of every other series, and are entitled to preference over the Subordinate Voting Shares and the Multiple Voting Shares and over any other shares ranking junior to the Preference shares, with respect to payment of dividends and the distribution of assets of the Company in the event of liquidation, dissolution, or winding-up of the Company.

STOCK EXCHANGE LISTING

The Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol IFP.A.

DIVIDENDS

The Company previously had a policy, subject to availability of earnings, of paying stock dividends in order to maintain its Equity Shares as eligible investments for pension plans and various other regulated investments as required under former legislation. This policy was discontinued following the change in eligibility requirements. The last stock dividend was issued in May 1991. Under its credit facilities, the Company may pay cash dividends and certain other payments provided that it meets its banking covenants. However the Company has no plans to pay dividends while it pursues high pay-back capital projects and repurchases its own shares.

MANAGEMENT DISCUSSION AND ANALYSIS and SELECTED FINANCIAL INFORMATION

Please refer to Management Discussion and Analysis on page 11 for the year ended December 31, 2002, which is incorporated here by reference.

DIRECTORS AND EXECUTIVE OFFICERS

As of March 1, 2003, the executive officers and directors of the Company (20 persons) beneficially owned or exercised control over 4.6% of the Subordinate Voting Shares and 99.6% of the Multiple Voting Shares.

The term of office for each director expires on the date of the next annual general meeting on April 23, 2003.

Directors	Principal Occupations in the Past Five Years	Director Since	Municipality of Residence
LAWRENCE I. BELL (b)(c)	Chairman and Chief Executive Officer of B.C. Hydro and Power Authority (Electricity generation and distribution); previously President and Chief Executive Officer of Shato Holding Ltd (Food processing and services; real estate management and development)	Apr. 29, 1998	West Vancouver, B.C.
DUNCAN K. DAVIES (e)	President and Chief Executive Officer of the Company; previously President and Chief Operating Officer, Executive Vice President and Chief Operating Officer of the Company; Business Consultant to the Company	Nov. 24, 1998	Vancouver, B.C.
IAIN J. HARRIS (a)(c)	Chairman and Chief Executive Officer of Summit Holdings Ltd. (Investment and holdings); previously President and CEO of Air BC Limited (Regional airline)	Apr. 29, 1998	Vancouver, B.C.
ROBERT E. KADLEC (b)(d)(e)	Chairman & C.E.O. of Bentley Capital Corp. (Venture capital)	Oct. 18, 1994	West Vancouver, B.C.
HAROLD C. KALKE (a)(b)	President of Kalico Developments Ltd. (Real estate development and management)	July 18, 2000	West Vancouver, BC
CLAUDE C. LAVAL, III (a)(d)	Chairman of Claude Laval Corporation (Manufacturer of filtration equipment)	Apr. 28, 1994	Fresno, Calif., U.S.A.
RICHARD N. MCKERRACHER (d)	Senior Vice President and previously Vice President, Finance of Sauder Industries Limited (Manufacturers and distributors of building products)	Apr. 29, 1998	North Vancouver, B.C.
GEORGE L. MALPASS (e)	Vice Chairman of the Company; previously President and Chief Executive Officer of Primex Forest Products Ltd. (Forest products)	May 1, 2001	Vancouver, B.C.
JOHN A. MILROY (a)(b)(d)	Business Consultant	Mar. 23, 1978	Vancouver, B.C.
E. LAWRENCE SAUDER (c)(e)	President of Sauder Industries Limited (Manufacturers and distributors of building products)	Apr. 18, 1984	Vancouver, B.C.

Directors	Principal Occupations in the Past Five Years	Director Since	Municipality of Residence
WILLIAM L. SAUDER (c)(e)	Chairman of the Company; previously Chairman and Chief Executive Officer of the Company	Jul. 27, 1977	Vancouver, B.C.
JOSEPH SEGAL	President of Kingswood Capital Corporation (Venture capital)	Feb. 2, 1987	Vancouver, B.C.
JOHN P. SULLIVAN (d)	Vice President of the Company; previously Vice President Corporate Development of Primex Forest Products Ltd. (Forest products)	May 1, 2001	Vancouver, B.C.

(a) Member of the Audit Committee
(b) Member of the Corporate Governance Committee
(c) Member of the Management Resources and Compensation Committee
(d) Member of the Environment and Safety Committee
(e) Member of the Executive Committee

Executive Officers	Principal Occupations in the Past Five Years	Municipality of Residence
WILLIAM L. SAUDER	Chairman of the Company; previously Chairman and Chief Executive Officer of the Company	Vancouver, B.C.
DUNCAN K. DAVIES	President and Chief Executive Officer of the Company; previously President and Chief Operating Officer; Executive Vice President and Chief Operating Officer of the Company; Business Consultant to the Company	Vancouver, B.C.
GEORGE L. MALPASS (e)	Vice Chairman of the Company; previously President and Chief Executive Officer of Primex Forest Products Ltd. (Forest products)	Vancouver, B.C.
HUGH J. SUTCLIFFE	Executive Vice President and Chief Operating Officer; previously Senior Vice President, Operations; Senior Vice President, Coast Operations and Vice President, Coast Forestry and Logging of the Company	Vancouver, BC
JOHN A. HORNING	Senior Vice President and Chief Financial Officer; previously Vice President Finance and Corporate Development; Vice President of the Company, Business Consultant to the Company	West Vancouver, B.C.
JAMES A. BELSHEIM	Vice President, Structural Whitewood; previously Vice President, Interior Operations and General Manager of the Company's Adams Lake and Squamish operations	West Vancouver, B.C.
JACK E. DRAPER	Vice President, Cedar; previously General Manager, Cedar	Surrey, B.C.

Executive Officers	Principal Occupations in the Past Five Years	Municipality of Residence
GERALD J. FRIESEN	Vice President and Corporate Secretary; previously Corporate Secretary of the Company	Coquitlam, B.C.
OTTO F. SCHULTE	Vice President, Coastal Woodlands; previously General Manager, Campbell River Operations of the Company; Manager Gold River Forest Operations of Western Forest Products Limited (Forest products)	Black Creek, B.C.
RICHARD J. SLACO	Vice President and Chief Forester; previously Chief Forester of the Company	Delta, B.C.
JOHN P. SULLIVAN	Vice President of the Company; previously Vice President Corporate Development of Primex Forest Products Ltd. (Forest products)	Vancouver, B.C.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary of the Company:

(a) when securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of securities of the Company,

(i) one copy of this Annual Information Form together with one copy of any document, or the pertinent pages from any document, incorporated by reference in this Annual Information Form;

(ii) one copy of the audited consolidated financial statements of the Company for the years ended December 31, 2002 and 2001 together with the accompanying report of the auditors thereon, and one copy of any interim financial statements of the Company filed subsequent to such financial statements;

(iii) one copy of the Information Circular of the Company dated as of March 1, 2003; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus other than those referred to above; or

(b) at any other time, one copy of any of the documents referred to in (a), (i), (ii) and (iii) above provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of the Company.

Additional information relating to the Company, including corporate governance practices, directors and officers remuneration, principal holders of the Company's securities and options to purchase securities, is contained in the Information Circular of the Company dated as of March 1, 2003 and additional financial information relating to the Company is contained in the audited consolidated financial statements of the Company for the years ended December 31, 2002 and 2001.

International Forest Products Limited

ENVIRONMENT AND SAFETY REPORT FOR 2002

ENVIRONMENT

ENVIRONMENT POLICY

International Forest Products Limited is committed to responsible stewardship of the environment.

- We will minimize environmental impact, prevent pollution and strive for continuous improvement of our environmental performance.
- We will operate in compliance with all applicable laws pertaining to the environment.
- We will regularly review our practices and procedures to monitor and report on environmental performance.
- We will provide training for employees and contractors in environmentally responsible work practices.
- We will manage our forest resources in a sustainable manner that is environmentally appropriate, socially beneficial and economically viable.
- We will promote the use of our wood products as a good choice for the environment.

Re-endorsed by the Board of Directors on July 17, 2001

WOODLANDS

Interfor is at the forefront of environmental certification work in British Columbia.

Certified Sustainable - All of Interfor's forest operations have been independently certified to internationally recognized standards.

ISO 14001 - **International Organization for Standardization**
Coastal Woodlands certified December 1999
Interior Woodlands certified June 2000
Coastal Woodlands re-certified October 2002

SFI℠ - **Sustainable Forestry Initiative**
Coastal Woodlands certified January 2001
Interior Woodlands certified June 2001

The company maintains an Environmental Management System including a Sustainable Forest Management program that is monitored and reviewed for continual improvement. KPMG Performance Registrar Inc. conducts regular independent third party audits to assess and verify performance. The ISO 14001 certificate is valid for 3 years from date of issue. The SFI certificate is valid 3 years from date of initial issue and 5 years thereafter. In 2002, the company successfully completed an extensive ISO 14001 re-certification audit of its coastal woodlands operations.

Interfor's forestry activities are guided by a Sustainable Forest Management Plan (SFMP). The key objectives of Interfor's SFMP are:

- Employees operate in a safe and environmentally responsible manner.
- Forest plans are developed in consultation with the public.
- Activities incorporate conservation management for water, soil, wildlife and other ecological values.
- Forest landscapes provide for biodiversity and old growth values.
- Harvest rates that ensure long-term sustainability.
- Viable operations that benefit society.
- Activities respect all laws and tenure responsibilities.

In January 2001, Interfor became the first BC forest company operating on publicly owned land to receive environmental certification to the American Forest & Paper Association's Sustainable Forestry Initiative (SFI^{SM}) standard. Interfor's SFI program contains a set of 35 indicators, which provide a practical means for monitoring and assessing implementation of the SFMP. In Europe, acceptance of Interfor's sustainable forest management program and chain of custody procedures has been granted by the Dutch Keurhout Foundation for products entering the Netherlands.

The company has retained two scientific advisors, Dr. Hamish Kimmins – Coast and Dr. John Innes – Interior, to provide assistance in the development of the sustainable forestry program. In addition, the company has formed a public stakeholder group representing different communities on the coast to assist in the audit process and to provide public feedback on performance.

Interfor continues to be engaged in a variety of environmental initiatives related to its forestry practices. During 2002, the company administered numerous environmental projects involving road stabalization, stream restoration and wildlife studies. In addition, on-going community based and First Nation activities provided further impetus for new programs. The company also launched the "Environmental Improvement Initiative" in August in order to further elevate the significance of Environmental Stewardship as "second nature" with its employees.

Interfor's sustainable forest management practices are guided by a team of qualified professional foresters, technicians and a dedicated workforce. The company is a leader in the development of innovative and environmentally sensitive harvesting practices with a proven ability to meet and exceed the strict legal requirements governing forestry on public land in British Columbia.

Interfor manages forests for timber production while integrating conservation values to ensure protection of water quality, fisheries, wildlife and biodiversity. Harvesting plans are based on ecological conditions and approved by public agencies. The company introduced variable retention harvesting as an alternative to clearcutting as a method for logging. In 2002, the company's variable retention logging methods were applied to approximately 50 percent of its harvesting area.

MANUFACTURING

Interfor maintains an Environmental Management System (EMS) for all of its manufacturing facilities. Each business unit is responsible for compliance and ensuring the EMS is functioning well.

The company retains the services of environmental consultants to help administer and maintain the performance of its EMS.

The services provided include:

- Environmental reviews and audits
- Environmental and stormwater monitoring
- Environmental engineering design
- Toxicity and laboratory studies
- Contaminated site investigation and remediation
- Risk assessment and management
- Government liaison where required

Envirochem Services Inc. conducts environmental audits at the mill sites on a quarterly basis. Envirochem uses a rating system (1-5) to score environmental performance of various indicators at each functioning mill site. A scoring

of 1 represents significant risk, whereas, the top score of 5 indicates good management practices. The overall scores for each mill is listed in the table below.

Audit Score
(Scale of 1 to 5)

	1998	1999	2000	2001	2002
Adams Lake	4.3	4.4	4.5	4.6	4.7
Albion	4.6	4.7	4.8	4.8	4.9
Fraser Mills	4.3	4.4	4.4	4.5	4.5
Hammond Cedar	4.4	4.4	4.4	4.5	4.6
McDonald Cedar	4.1	4.3	4.7	4.8	4.9
MacKenzie Seizai	4.4	4.4	4.5	4.6	4.6
Squamish	4.3	N/A *	4.3	4.4	4.6
Western Whitewood	4.5	4.5	4.6	4.7	4.7
Westminster Wood	4.4	4.4	4.5	N/A *	N/A *
Acorn			4.4	4.4	4.5
Field			4.1	4.3	4.3
Saltair Timber			3.0	3.3	3.7
Specialty Products			4.6	4.6	4.7
Average	**4.4**	**4.4**	**4.5**	**4.5**	**4.6**

* Operations were inactive for an extended period during the year.

An overall score of 4.6 for all the mill sites indicates a very high rating of environmental performance.

In addition to audit scores, the following indicators of environmental management are addressed:

Surface Run-off Measurements
Sampling for antisapstain chemicals and bioassay from surface run-off water.

Environmental Training
On-site spill training and refresher courses for transportation of dangerous goods.

Regulatory Compliance
Monitoring of spill incidents and other environmental regulations

High Priority Recommendations
A listing of priority items to guide continual improvement of environmental performance.

Interfor has obtained the following environmental certification and chain of custody achievements for manufacturing.

ISO 14001 - International Organization for Standardization
Squamish Lumber Division
Adams Lake Lumber Division
Hammond Cedar Division

ISO 14001 REGISTERED KPMG

The registrations to ISO14001 for Environmental Management Systems were obtained from KPMG Performance Registrar Inc.

Chain-of-Custody - Certification
FSC Standards (all Interfor mills)
Generic Certification Standards (select Interfor mills)

SCIENTIFIC CERTIFICATION SYSTEMS. FOREST CONSERVATION PROGRAM

The tracking of the certified logs through the manufacturing process is referred to as chain-of-custody (CoC). In 2001, Interfor's manufacturing facilities were independently certified by Scientific Certification Systems to meet CoC requirements under their forest conservation program. The certification is assessed annually for compliance.

HEALTH AND SAFETY

HEALTH AND SAFETY POLICY

Health and Safety is the uncompromised right and responsibility of all employees.

- We will monitor and report regularly on our Health and Safety performance.
- We will integrate Health and Safety into our business with the knowledge that all accidents are preventable.
- We will hold all levels of management accountable for providing a safe work environment and enforcing safe work practices, including timely follow-up of safety incidents.
- We will train all employees to identify hazards and to protect themselves and fellow workers.
- We will hold all employees and contractors working for Interfor accountable for following safe work practices and reporting unsafe acts and conditions.
- We will use audits to measure and improve our Health and Safety performance.
- We will actively involve our employees in effective Safety programs.
- We will operate in compliance with Health and Safety Regulations

International Forest Products Limited is committed to the health, safety, and well being of all employees.

Re-endorsed by the Board of Directors on July 17, 2001

SAFETY PERFORMANCE

Interfor has come a long way in the area of safety performance since 1998, when the Company determined that its health and safety record was in need of significant improvement. Since then, Interfor's Medical Incident Rate (MIR) -- the measure by which industry performance is measured – has been reduced by approximately 70%. Last year, the Coastal Woodlands group failed to meet its overall target, recording an MIR of 6.0. Interfor's Manufacturing group surpassed its overall target, recording an MIR of 5.3. Both Coastal Woodlands and Manufacturing were among the top safety performers in their respective sectors, as reported by the Forest Industry Advisory Service (FIAS).

Unfortunately, two fatalities were suffered in Coastal Woodlands in the year, one in a company logging operation and another in a contractor operation. These two tragedies in September and October resulted in a formal review of the company's entire safety program.

The target for both Coastal Woodlands and Manufacturing was to reduce the 2001 M.I.R. by one-fifth for 2002. Results for the period 1997 to 2002 are as follows:

Medical Incident Rates	**Coastal Woodlands**	**Manufacturing**	**Total Interfor**
1997	35.8	16.4	**22.8**
1998	32.9	17.9	**23.4**
1999	14.2	10.2	**11.7**
2000	13.2	5.9	**8.6**
2001	6.2	7.8	**7.2**
2002 – actual	**6.0**	**5.3**	**5.5**
-- target	**Less than 5.0**	**Less than 6.2**	**Less than 5.8**

For the third consecutive year, Interfor's Squamish Lumber Division was honoured by the Canadian Society of Safety Engineering Award for the top Health and Safety Awareness Program in B.C. during North American Occupational Safety and Health (NAOSH) week.

Squamish Lumber Division has become the first sawmill in North America to achieve certification for its safety programs from the British Standards Institute. The certification was awarded following an independent audit by KPMG Performance Registrar Inc. in September 2002. The OHSAS 18001 standard comprises a set of guidelines based on the principles of good safety management. They are designed to encourage the integration of occupational health and safety management with overall management plans.

The Company will continue to build on its safety performance in 2003 and has set the following targets:

	Medical Incident Rates		
	Coastal Woodlands	**Manufacturing**	**Total Interfor**
2003- target	Less than 4.0	Less than 4.0	Less than 4.0

GOING FORWARD

During 2003, Interfor intends to:

- Implement Managing For Outstanding Safety Project throughout the company.
- To begin to develop the "professional worker" through a process addressing the culture and habits of its supervisors and workers relative to safety.
- Eliminate serious injuries, serious close calls and fatalities during the 5-year term of the Safety Project.
- Effect continuous improvement in safety.
- Continue to consider safety as a prerequisite for employment.

These efforts are designed to make all Interfor operations safe and healthy places to work so our employees can return home safely to their families.

GLOSSARY

"**Allowable Annual cut (AAC)**" The average annual volume of timber which the holder of a licence from the Province of British Columbia may harvest on Crown land under the licence in a five-year control period.

"**Cash flow from operations**" Cash generated from operations before considering changes in operating working capital.

"**Clear fibre**" Refers to knot and defect-free fibre found in higher-grade sawlogs; in lumber from, this fibre commands a premium price.

"**Custom cutting**" An arrangement under which a mill contracts to cut logs owned by a customer into products of specifications defined by the customer.

"**EBITDA**" Earnings before interest, income taxes, depreciation, depletion, amortization, restructuring costs and capital asset write-downs.

"**Forest Licence**" Replaceable, volume-based timber cutting rights for a specific volume of Crown timber within a Timber Supply area.

"**Hectare**" A metric unit of area measurement, equal to 2.47 acres.

"**m^3**" A measure of one cubic metre of solid wood, British Columbia metric scale, as determined under the Forest Act, equal to 35.3 cubic feet of solid wood.

"**Mfbm**" One thousand foot board measure equal to one thousand square feet of lumber, one inch thick.

"**Pre-tax return on total assets**" Earnings (loss) before taxes divided by closing total assets.

"**Return on average invested capital**" Net earnings (loss) plus after tax interest cost divided by the average of opening and closing invested capital (bank indebtedness plus long-tern debt plus shareholders' equity).

"**Return on average shareholders' equity**" Net earnings (loss) divided by the average of opening and closing shareholders' equity.

"**Roaded timber**" Forest areas designated for future harvesting to which access roads have been constructed.

"**Silviculture**" The art and science of controlling the establishment, growth, composition, health and quality of forests.

"**Stumpage**" A charge assessed by the provincial government on all Crown timber harvested.

"**Sustained yield (sustainable log supply)**" The yield that a forest area can produce on an ongoing basis without impairment of the long-term productivity of the land.

"**Timber Licence**" Non-replaceable, area based, Crown timber cutting rights.

"**Tree Farm Licence**" A renewable 25-year licence to manage forest area to yield an annual harvest on a sustainable basis.

"**Value-added product**" A commodity or other product that has been further processed to increase financial value.

"**Volumetric unit**" A unit of measurement for wood chips and other sawmill by-products, being equal to 200 cubic feet.

"**Whitewood**" Includes the Coastal species Hemlock, Balsam Fir, Douglas Fir and Spruce; the term whitewood is used on British Columbia Coast to differentiate the above species from Red Cedar and Yellow Cedar.

HEAD OFFICE AND REGISTERED OFFICE
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1055 Dunsmuir Street
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OFFICERS

W.L. Sauder
Chairman

G.L. Malpass
Vice Chairman

D.K. Davies
President and Chief Executive Officer

H.J. Sutcliffe
Executive Vice President and
Chief Operating Officer

J.A. Horning
Senior Vice President and
Chief Financial Officer

J.A. Belsheim
Vice President, Structural Whitewood

J.E. Draper
Vice President, Cedar

O.F. Schulte
Vice President, Coastal Woodlands

R.J. Slaco
Vice President and Chief Forester

J.P. Sullivan
Vice President

G.J. Friesen
Vice President and Corporate Secretary

L.D. Cocke
Corporate Controller

S.D. Williams
Corporate Treasurer

AUDITORS
KPMG LLP Vancouver, BC

TRANSFER AGENT
Computershare Trust Company of Canada
Vancouver, BC and Toronto, ON

STOCK EXCHANGE
Class "A" shares listed on
The Toronto Stock Exchange as IFP.A

DIRECTORS

L.I. Bell
West Vancouver, BC

D.K. Davies
Vancouver, BC

I.J. Harris
Vancouver, BC

R.E. Kadlec
West Vancouver, BC

H.C. Kalke
West Vancouver, BC

C.C. Laval III
Fresno, California, USA

R.N. McKerracher
North Vancouver, BC

G.L. Malpass
Vancouver, BC

J.A. Milroy
Vancouver, BC

E.L. Sauder
Vancouver, BC

W.L. Sauder
Vancouver, BC

J. Segal
Vancouver, BC

J.P. Sullivan
Vancouver, BC

COASTAL WOODLANDS
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WOODLANDS OFFICES
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Sechelt: (604) 740-8220
Squamish: (604) 892-2500
Terrace: (250) 635-0635
Ucluelet: (250) 726-7748

HELIFOR INDUSTRIES LIMITED
828- 1200 West 73rd Avenue
Vancouver, BC V6P 6G5
(604) 269-2000

SAWMILLS

Acorn Forest Products
(604) 581-0494
9355 Alaska Way, Delta, BC V4C 4R7

Adams Lake Lumber
(250) 679-3234
9200 Holding Road, R.R. 2, Chase, BC V0E 1M0

Field Sawmills
(250) 338-5414
1901 Comox Rd, Courtenay, BC V9N 3P7

Hammond Cedar
(604) 465-5401
20580 Maple Crescent, Maple Ridge, BC V2X 1B1

MacKenzie Seizai
(604) 580-4500
11732- 130th Street, Surrey, BC V3R 2Y3

Squamish Lumber
(604) 892-2500
P.O. Box 280, 1500 Hwy 99, Squamish, BC V0N 3G0

Western Whitewood
(604) 525-9411
501 Boyd Street, New Westminster, BC V3M 5H6

REMANUFACTURING OPERATIONS

Albion Process Centre
(604) 463-4234
CEDARPRIME Inc.
(360) 988-2120
Fraser Reman
(604) 520-8400
Saltair Timber Products Ltd.
(250) 416-0590
Specialty Products Division
(604) 583-3665

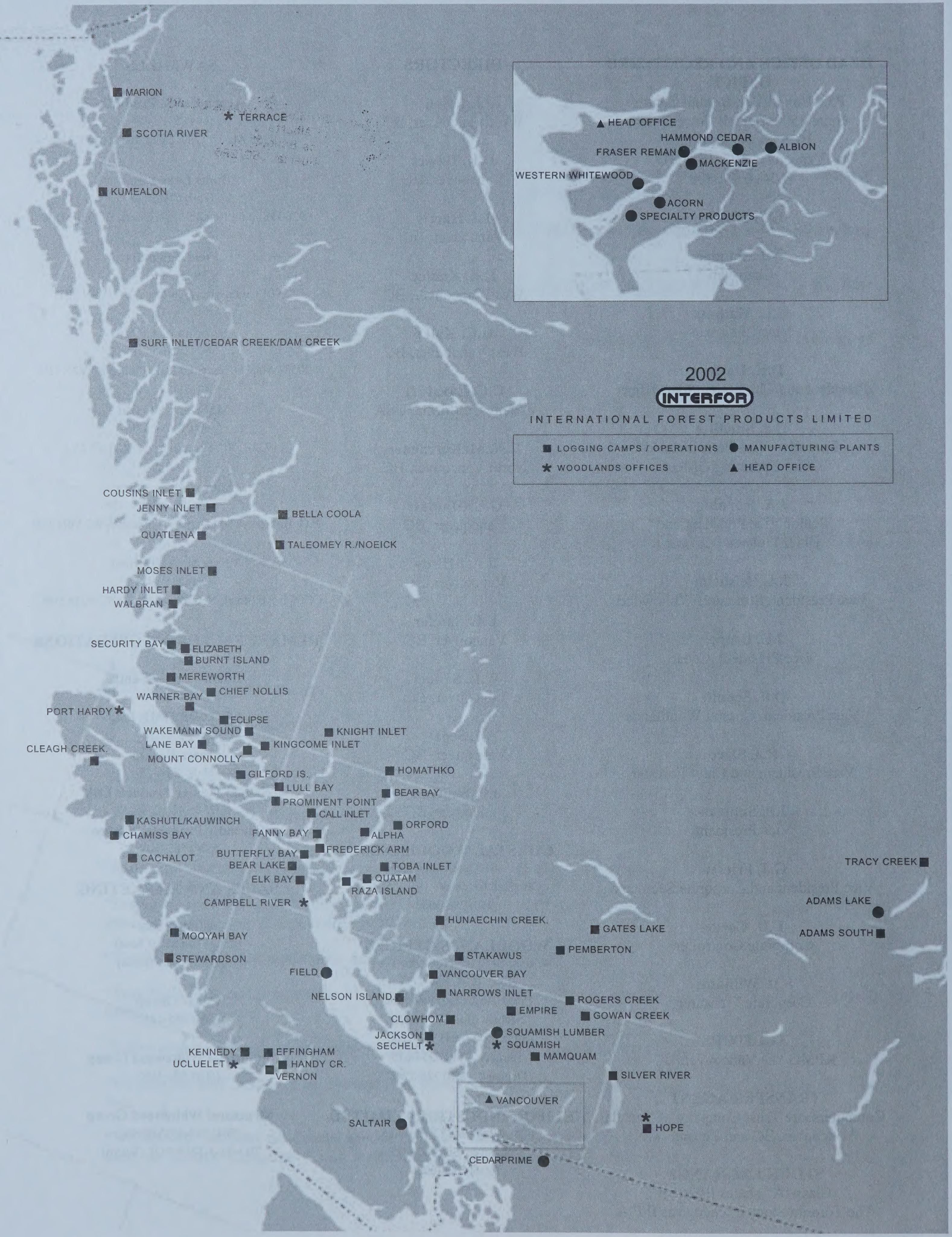
SALES AND MARKETING

Adams Lake
(250) 679-6822 (Chase)
(604) 587-4555 (Delta)

Cedar Group
(604) 465-2231

Industrial Whitewood Group
(604) 580-4550

Structural Whitewood Group
(604) 587-4555 (Delta)
011-81-3-3215-2421 (Tokyo)


HEAD OFFICE
HAMMOND CEDAR
FRASER REMAN
ALBION
MACKENZIE
WESTERN WHITEWOOD
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SPECIALTY PRODUCTS
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INTERFOR
INTERNATIONAL FOREST PRODUCTS LIMITED
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WOODLANDS OFFICES
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KUMEALON
SURF INLET/CEDAR CREEK/DAM CREEK
COUSINS INLET
JENNY INLET
BELLA COOLA
QUATLENA
TALEOMEY R./NOEICK
MOSES INLET
HARDY INLET
WALBRAN
SECURITY BAY
ELIZABETH
BURNT ISLAND
MEREWORTH
CHIEF NOLLIS
WARNER BAY
PORT HARDY
ECLIPSE
WAKEMANN SOUND
KNIGHT INLET
LANE BAY
KINGCOME INLET
CLEAGH CREEK.
MOUNT CONNOLLY
HOMATHKO
GILFORD IS.
LULL BAY
BEAR BAY
PROMINENT POINT
CALL INLET
KASHUTL/KAUWINCH
ORFORD
CHAMISS BAY
FANNY BAY
ALPHA
BUTTERFLY BAY
FREDERICK ARM
CACHALOT
BEAR LAKE
TOBA INLET
ELK BAY
QUATAM
RAZA ISLAND
CAMPBELL RIVER
TRACY CREEK
ADAMS LAKE
HUNAECHIN CREEK.
GATES LAKE
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MOOYAH BAY
PEMBERTON
STAKAWUS
STEWARDSON
FIELD
VANCOUVER BAY
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SALTAIR
HOPE
CEDARPRIME